

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Iron River	County Iron
Fiscal Year End 06/30/07	Opinion Date 10/09/07	Date Audit Report Submitted to State 10/09/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

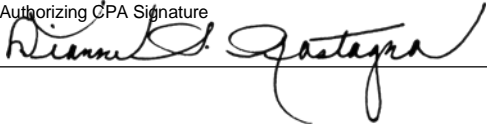
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 	Printed Name Dianne S. Rostagno, CPA		License Number 1101021859

CITY OF IRON RIVER

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Mayor and Members of the City Council
City of Iron River
Iron River, Michigan 49935

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the **City of Iron River**, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

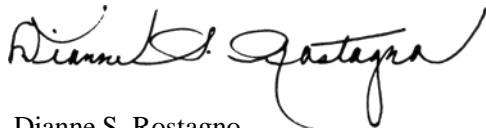
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of the **City of Iron River** at June 30, 2007, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 09, 2007 on our consideration of the **City of Iron River's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 23 are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Iron River**'s basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the **City of Iron River**, State of Michigan. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" and last name "Rostagno" clearly distinguishable.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 09, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Iron River

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The management of the **City of Iron River** provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. As readers, you are encouraged to read this discussion and analysis in conjunction with the City's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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Government-wide financial statements (Continued)

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, legislative, public safety, public works, highways and streets, sanitation and health, culture and recreation, and community development. The business-type activities of the City include Water Utility, Sewer Utility, and RV Park.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: *Downtown Development Authority*, *Tax Increment Financing Authority*, and the *Brownfield Authority*. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

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Fund Financial Statements (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains six governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Major Street Fund, both of which are considered major funds.

All other governmental funds are presented in aggregate. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The City adopts an annual budget for its general and special revenue funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the General Fund and major special revenue funds, and is included in the "Required Supplementary Information" section of this document.

Proprietary Funds

Proprietary funds provide services for which the City charges customers a fee. The City has only one type of proprietary fund – the enterprise fund type. The enterprise funds of the City are used to report the same functions as the business-type activities in their government-wide financial statements. The Water Utility, Sewer Utility, and RV Park funds are presented separately in both the government-wide financial statements and the fund financial statements.

Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the City include the tax collection fund, the sick leave fund, the health reimbursement fund, and the employee trust fund.

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the City's major special revenue funds as presented in the governmental fund financial statements.

Separate combining financial statements for non-major governmental funds are also included in the Other Supplementary Information section of this document.

Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$ 14,750,427 at June 30.

By far, the largest portion of the City's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending.

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Fund Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2007, the City reported \$ 12,726,576 in net assets invested in capital assets net of related debt.

External restrictions of the City's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 516,330 may be used to meet the government's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at June 30 for the governmental activities and business-type activities were \$ 6,910,303 and \$ 7,840,124, respectively.

The following summarizes the comparative net assets at fiscal years ended June 30, 2007 and 2006:

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1384575	\$ 1161434	\$ 2546009
Capital assets, net	<u>6215902</u>	<u>13494457</u>	<u>19710359</u>
Total assets	7600477	14655891	22256368
Long-term liabilities	578820	6498000	7076820
Other liabilities	<u>111354</u>	<u>317767</u>	<u>429121</u>
Total liabilities	\$ 690174	\$ 6815767	\$ 7505941

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Fund Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net assets:			
Invested in capital assets, net of related debt	\$ 5834119	\$ 6892457	\$ 12726576
Reserved	559854	947667	1507521
Unreserved	<u>516330</u>	<u>0</u>	<u>516330</u>
Total Net Assets	\$ 6910303	\$ 7840124	\$ 14750427

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1541615	\$ 1210294	\$ 2751909
Capital assets, net	<u>6555263</u>	<u>12527461</u>	<u>19082724</u>
Total assets	8096878	13737755	21834633
Long-term liabilities	434815	6602000	7036815
Other liabilities	<u>492545</u>	<u>111233</u>	<u>603778</u>
Total liabilities	\$ 927360	\$ 6713233	\$ 7640593
Net assets:			
Invested in capital assets, net of related debt	6119746	5824461	11944207
Reserved	487238	1200061	1687299
Unreserved	<u>562534</u>	<u>0</u>	<u>562534</u>
Total net assets	\$ 7169518	\$ 7024522	\$ 14194040

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Fund Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

For governmental activities, net assets decreased by \$ 259,215 during the fiscal year. For business-type activities, net assets increased by \$ 815,602 during the fiscal year.

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended June 30, 2007 and 2006:

	<u>June 30, 2007</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
REVENUES	Activities	Activities	
<u>Program Revenues</u>			
Charges for services	\$ 480538	\$ 1670627	\$ 2151165
Operating grants and contributions	533242	4745	537987
Capital grants and contributions	30000	830671	860671
<u>General Revenues</u>			
Property taxes	804485	-0-	804485
Other taxes	40106	-0-	40106
Unrestricted grants	450268	-0-	450268
Other	<u>97573</u>	<u>42757</u>	<u>140330</u>
Total Revenues	\$ 2436212	\$ 2548800	\$ 4985012
EXPENSES:			
General Government	537430	-0-	537430
Legislative	8722	-0-	8722
Public safety	643670	-0-	643670
Public works	248296	-0-	248296
Highways and streets	577927	-0-	577927
Sanitation and health	145090	-0-	145090
Culture and recreation	74629	-0-	74629
Community development	35877	-0-	35877
Interest on long-term debt	15017	-0-	15017

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Fund Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

June 30, 2007

EXPENSES (Continued)	Primary Government		Total
	Governmental Activities	Business-type Activities	
Other Costs	\$ -0-	\$ -0-	\$ -0-
Intergovernmental	8812	-0-	8812
Depreciation (Unallocated)	399957	-0-	399957
<i>Business-type activities:</i>			
Water	-0-	992546	992546
Sewer	-0-	715579	715579
RV Park	-0-	25073	25073
Total Expenses	\$ 2695427	\$ 1733198	\$ 4428625
Change in Net Assets	(259215)	815602	556387
Net Assets, beginning of year	7169518	7024522	14194040
Net Assets, end of year	\$ 6910303	\$ 7840124	\$ 14750427

June 30, 2006

REVENUES:	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>Program Revenues</u>			
Charges for services	\$ 523474	\$ 1647655	\$ 2171129
Operating grants and contributions	652219	-0-	652219
Capital grants and contributions	738572	-0-	738572
<u>General Revenues</u>			
Property taxes	777703	-0-	777703
Other taxes	36560	-0-	36560
Unrestricted grants	454265	-0-	454265
Other	110910	47840	158750
Total Revenues	\$ 3293703	\$ 1695495	\$ 4989198

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Fund Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
EXPENSES:			
General Government	\$ 505763	\$ -0-	\$ 505763
Legislative	8073	-0-	8073
Public Safety	561113	-0-	561113
Public works	277406	-0-	277406
Highways and streets	690869	-0-	690869
Sanitation and health	130972	-0-	130972
Culture and recreation	87083	-0-	87083
Community development	16594	-0-	16594
Interest on long-term debt	31676	-0-	31676
Other Costs	-0-	-0-	-0-
Intergovernmental	12000	-0-	12000
Depreciation (Unallocated)	414731	-0-	414731
<i>Business-type activities:</i>			
Water	-0-	922111	922111
Sewer	-0-	778333	778333
RV Park	-0-	20854	20854
Total Expenses	\$ 2736280	\$ 1721298	\$ 4457578
Change in Net Assets	557423	(25803)	531620
Net Assets, beginning of year	<u>6612095</u>	<u>7050325</u>	<u>13662420</u>
Net Assets. end of year	\$ 7169518	\$ 7024522	\$ 14194040

Governmental Activities

Property taxes and other tax revenues comprise \$ 844,591 or 35 percent of total governmental revenues.

City of Iron River

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Governmental Activities (Continued)

Operating grants and contributions for governmental activities ended the fiscal year at \$ 533,242, primarily attributable to the State of Michigan's Act 51 funding for major and local streets. At fiscal year end, the City reported \$ 450,268 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The City expensed \$ 2,695,427 on governmental programs and services. The largest expense category was incurred for public safety, which totaled \$ 643,670, or 24 percent of total expenses. General governmental expenses were \$ 537,430 or 20 percent of the total, and expenses for highways and streets were \$ 577,927, or 21 percent of the total. Public safety expenses were attributed to management's continuing commitment to preserve the lives and property of the residents of the City. Public works expenses were \$ 248,296, or 9 percent of the total.

Component Units

The component units of the City reported total net assets of \$ 203,468, all of which is unrestricted and available for future appropriation. The change in net assets for the City's component units at June 30 was an increase of \$34,661.

Business-type Activities

Business-type activities increased the City's net assets by \$ 815,602. Charges for services for the Water, Sewer, and RV Park activities for the year ended were \$ 874,123, \$ 785,421, and \$ 11,083, respectively.

Total expenses for the Water, Sewer, and RV Park activities for the year ended were \$ 992,546, \$ 715,579, and \$ 25,073, respectively.

Sewer Fund

On March 13, 2002, the **City of Iron River** and the State of Michigan Department of Environmental Quality entered into a special order of consent regarding the City's sanitation sewage collection system. Under the agreement, the City was to install a telemetered alarm at the Riverside Lift Station by November 01, 2002. On July 01, 2002, the City agreed to raise average residential sewer rates per household to generate a minimum of \$227,000 (indexed for inflation annually), to be set aside in an escrow account, established by the City for future improvements on the wastewater collection system. Approved expenses (requiring DEQ approval) can be paid from these funds. By July 31st of each year, the City is required to submit a report to the Marquette District Supervisor of the Surface Water Quality Division detailing the expenditures, income, and balances of this escrow account.

As of June 30, the City was in compliance with the consent order.

During the current fiscal year, the City continued with the management agreement with the Iron County Chamber of Commerce to take over the operations of the RV Park. It is expected that this will continue to result in considerable savings to the City.

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Business-type Activities (Continued)

Financial Analysis of the Governmental Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balances of \$ 1,328,075, of which \$ 559,854 is reserved and the remaining \$ 768,221 is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the City's General Fund ended the fiscal year with revenues higher than the final projections, but lower than originally budgeted. Total expenditures were less than the final and original projections. At fiscal year end, the fund balance was higher than both the original and final amended budget.

Revenues for the Major Street Fund were higher than the original budget, but lower than the final allowances. Expenditures were lower than both the original and final budgetary projections.

Revenues – Actual vs Budget

	Revenues Original <u>Budget</u>	Revenues Final <u>Budget</u>	Revenues Final <u>Actual</u>	Revenues Variance Actual vs Original <u>Budget</u>	Revenues Variance Actual vs Final <u>Budget</u>
General Fund	\$ 2031834	\$ 1848099	\$ 1878191	\$ (153643)	\$ 30092
Major Street Fund	568700	331775	385068	(183632)	53293

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Governmental Funds (Continued)

Expenditures – Actual vs Budget

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 2070289	\$ 2115004	\$ 1747251	\$ 323038	\$ 367753
Major Street Fund	658620	291775	287923	370697	3852

General fund financial and budgetary highlights of the fiscal year include:

- * Use of money and property exceeded final budgetary projections by \$ 35,347.
- * Charges for services were up slightly from the final amended budget, coming in at \$199,970, which is very close to the final budgeted estimate of \$ 199,500.
- * State of Michigan sales tax distribution of \$ 450,268 was less than anticipated in the final amended budget of \$457,238 by \$ 6,970.
- * Expenditures in total for the general fund were \$ 1,747,251, less than the final amended budget of \$2,115,004 by \$ 367,753 and less than the original budget of \$2,070,289 by \$323,038.

Major Street Fund financial and budgetary highlights of the fiscal year include:

- * State of Michigan Act 51 funding for major streets was slightly higher than the final budgeted amounts; as was the amount received from the State for trunk-line maintenance.
- * Total expenditures were \$ 287,923, considerably lower than the original budget, and very close to the final budgeted amount of \$291,775.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water, Sewer, and RV Park funds at year-end were \$ 4,667,143, \$ 3,060,020, and \$112,961, respectively. The growth or change in net assets for the Water, Sewer, and RV Park funds were (\$95,710), \$916,741, and (\$5,429), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30 is \$19,710,359. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$20,831,613, or approximately 70 percent of the estimated original cost of total assets. Major and local street funds comprise \$5,581,696, or 27 percent of this infrastructure; the Water Fund's infrastructure is appraised at \$10,991,674, or 53 percent of the total; the Sewer Fund's infrastructure is \$3,485,872, or 17 percent of the total. Infrastructure attributed to the General Fund is slightly less than 4 percent, recorded at \$772,372.

Major Accomplishments

Major accomplishments for the 2006-2007 fiscal year include:

Nelson Field Recreation Improvements – Major improvements in Nelson Field were finally completed this year. The concession stand, track and walkways were all made barrier free and ADA compliant. This project has been ongoing for two construction seasons but the final punch list items and cleanup work has just now been completed.

Cloverland Hotel – The City secured funding commitment for \$250,000 from MEDC for the razing of this structure. The documentation which is necessary for both State and Federal clearance has been compiled and submitted to the respective agencies. A draft of the recordation of the buildings history was submitted to SHPO. Bids for the environmental clean up and actual demolition were received and contracts let in anticipation of the building's removal.

Old Central School – We made considerable progress in determining the final disposition of this blighted facility. The Hovey Companies, Inc. was selected by the City and DDA as the developer for this project. Environmental site assessments were commissioned so that costs for the reconstruction or demolition of the building could be determined. Bids for both alternatives were commissioned and prepared by our development partner. Our lobbying efforts of the State to secure funding for this project have continued and necessary information and reports were generated in support of our needs.

Apple Blossom Trail Phase II – The final planned phase of this trail system in Iron River was designed, reviewed and submitted to the State for approval. Bids for the work were received and preconstruction meetings were held with the general contractor to determine schedule and working priorities. All necessary permits for the project have been issued and the project made ready to move forward.

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Major Accomplishments (Continued)

MDEQ Administrative Consent Order – The City continued to meet all compliance requirements established by the MDEQ. Flow studies were conducted to evaluate the effect of the previous year's reconstruction activities and also to assess the work necessary to meeting our goals. A fourth MEDC grant request was submitted and approved to assist with additional reconstruction.

Iron River North Water System Improvements – A large reconstruction project for the Mineral Hills Location was designed and funding was secured through the USDA Rural Development Loan Program. The project was designed not only to meet the needs of the aging system but also to remain within the financial capabilities of our consumers. The project was let out for bids and the contract was awarded so the work could begin in late summer.

Iron River North Sewer Project – Mineral Hills has experienced a substantial amount of sewer improvement work which has been under construction for the past several months. Once again with assistance of the MEDC this project was undertaken to correct serious problems which have existed for several years. In addition to the sewer repair work, several of the streets have improved as result of this project.

Lalley Road Sewer Improvements – The contractor completed the final section of sewer line and associated punch list work on this project. The MEDC grant funds have been expended and all the work as well as some additional lines has been completed as budgeted.

Lalley Road Reconstruction – The majority of this road work was completed last fall with only a few modifications and final punch list items remaining for this construction season. Although all the work was completed, some issues remain to be addressed by our consultants before the final close out of this project will be issued by MDOT.

Lay/Washington Avenue Resurfacing – Spruce to Evergreen – The City has received verification that it will receive funding for this project. The City's local match (20%) for construction will be covered through the States recent "Jobs Today Program" in the form of a grant. The total project construction cost is estimated to be \$300,000. The project design has been completed and submitted to MDOT for bidding.

Streetscape Mater Plan – In conjunction with the DDA, the City expanded the limits of the TIF District to include the main business district of the Stambaugh location. That expansion made it possible to incorporate that area into the overall renovation plans of the existing streetscape project. The Streetscape Master Plan evolved into a much larger undertaking than was originally considered. Because of the large area, the plan was broken down into multiple phases by the consultants.

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Long-term debt

As of June 30, the City (including the enterprise funds) had total bonded debt outstanding of \$6,847,000. Of this amount, \$245,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation is significantly higher than the City's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

Other Economic Factors and Next Year's Budget

Economic Factors

Despite the uncertain economic climate, the City's guiding principles for the upcoming fiscal year is to continue building and maintaining strong neighborhoods, provide good social and cultural conditions that support healthy families, remain a safe and clean city, and invest in opportunities that promote economic growth and financial capacity.

The City's fiscal year 2007-2008 general fund budget is \$ 1,841,934, representing a decline from the previous fiscal year.

The upcoming year is likely to remain quite busy with several ongoing projects to be completed and others that will be moving from the planning stage to implementation. Following is a summary of those objectives:

- Complete razing of the Cloverland Hotel facility prior to December 31, 2007. Begin site restoration of the building site when weather permits during the spring of 2008.
- Move the Central School Project into the funding and preliminary design stage. Work with the developer and MSHDA to identify project parameters and establish a timetable that will identify key elements needed to begin cleaning the site environmentally. Begin the environmental cleanup and site preparation for the remaining facility.
- Complete all the current construction work on Apple Blossom Trail Project. Work with the Iron River Watershed Council to secure funding for the ongoing maintenance of this asset and establish a non-profit group to help oversee its use and continued development.

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Other Economic Factors and Next Year's Budget (Continued)

Economic Factors (Continued)

- Meet the final requirements of the DEQ's Administrative Consent order by eliminating any potential of a "qualifying event" outside the parameters of a 25 year flood occurrence. Work with the West Iron County Sewer Authority to assure that the City is in total compliance with our uniform agreement between member communities.
- Complete both the North District Water and Sewer Projects on time and within budget.
- Complete the reconstruction of Lay/Washington Avenue from Spruce Street to Evergreen Street.
- Implement the first Rental Rehabilitation project in the DDA using the MSHDA approved guidelines and funding resources.
- Develop additional cemetery properties for the residents of Iron River and work to reach an agreement for more favorable burial rights in the Stambaugh cemetery.
- Update the current "Employee Work Rules" and explore early out options for those employees wishing to retire. Reduce administrative overhead with the elimination of one position.
- Prepare a complete list of City owned property and place all non-essential property for sale to the general public.
- Identify and establish a "Signature Building" project and begin the process of submitting same for MEDC cooperative funding grants.

Requests for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City Manager
City of Iron River
106 West Genesee Street
Iron River, Michigan 49935

BASIC FINANCIAL STATEMENTS

CITY OF IRON RIVER

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government	
	Governmental Activities	Business- type Activities
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents (Note C)	\$ 1,108,453	\$ 207,648
Investment in Central School Project	-	-
Prepaid Expenses	525	-
Receivables		
Taxes	102,705	-
Accounts Receivable	93,919	398,986
Internal Balances	72,063	(72,063)
Due from External Parties	6,910	-
Due from Other Governmental Units	-	-
Total Current Assets	1,384,575	534,571
<u>Noncurrent Assets</u>		
Restricted Cash	-	626,863
Capital Assets, (Note H)	12,911,066	16,795,182
Less Accumulated Depreciation (Note H)	(6,695,164)	(3,300,725)
Total Noncurrent Assets	6,215,902	14,121,320
TOTAL ASSETS	\$ 7,600,477	\$ 14,655,891
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	14,771	201,667
Accrued Salaries and Benefits	41,729	12,100
Compensated Absences, Due within one year	-	-
Bonds/Notes Payable, Due within one year (Note I)	54,854	104,000
Total Current Liabilities	111,354	317,767
<u>Noncurrent Liabilities</u>		
Bonds/Notes Payable (Note I)	326,929	6,498,000
Compensated Absences Payable	251,891	-
Total Noncurrent Liabilities	578,820	6,498,000
TOTAL LIABILITIES	\$ 690,174	\$ 6,815,767
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	5,834,119	6,892,457
Reserved for Streets and Highways	543,514	-
Reserved for Capital Projects	4,873	-
Reserved for Debt Service	11,467	-
Reserved for Water and Sewer Utility	-	947,667
Unreserved and Undesignated	516,330	-
TOTAL NET ASSETS	\$ 6,910,303	\$ 7,840,124

CITY OF IRON RIVER

STATEMENT OF NET ASSETS

JUNE 30, 2007

<u>Totals</u>	<u>Component Units</u>	<u>Reporting Entity Totals</u>
\$ 1,316,101	\$ 145,737	\$ 1,461,838
-	57,714	57,714
525	-	525
102,705	2,273	104,978
492,905	9,600	502,505
-	-	-
6,910	-	6,910
-	-	-
1,919,146	215,324	2,134,470
626,863	-	626,863
29,706,248	-	29,706,248
(9,995,889)	-	(9,995,889)
20,337,222	-	20,337,222
\$ 22,256,368	\$ 215,324	\$ 22,471,692
216,438	11,110	227,548
53,829	746	54,575
-	-	-
158,854	-	158,854
429,121	11,856	440,977
6,824,929	-	6,824,929
251,891	-	251,891
7,076,820	-	7,076,820
\$ 7,505,941	\$ 11,856	\$ 7,517,797
12,726,576	-	12,726,576
543,514	-	543,514
4,873	-	4,873
11,467	-	11,467
947,667	-	947,667
516,330	203,468	719,798
-	-	-
\$ 14,750,427	\$ 203,468	\$ 14,953,895

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF ACTIVITIES FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants
FUNCTIONS-PROGRAMS				
Primary Government -				
General government	\$ 537,430	\$ 22,987	\$ -	\$ -
Legislative	8,722			
Public safety	643,670	3,711	6,051	30,000
Public works	248,296	253,430		
Highways and streets	577,927	1,640	501,761	
Sanitation and health	145,090	198,770		-
Culture and recreation	74,629		8,030	
Community development	35,877		17,400	
Interest on Long-Term Debt	15,017	-		-
Other Costs	-		-	
Intragovernmental	8,812			
Depreciation (Unallocated)	399,957	-	-	-
Total Governmental Activities	\$ 2,695,427	\$ 480,538	\$ 533,242	\$ 30,000
Business-type Activities				
Water	992,546	874,123	4,745	-
Sewer	715,579	785,421	-	830,671
RV Park	25,073	11,083	-	-
Total Business-type Activities	1,733,198	1,670,627	4,745	830,671
Total Primary Government	4,428,625	2,151,165	537,987	
Component Units				
DDA	14,802	-	-	-
TIF	136,572			
Brownfield Authority	9,596			
Total Component Units	160,970	-	-	-

General Revenues:

Taxes:

Property taxes levied for general operations
Property taxes levied for DDA and TIF
Other
State Sales Tax Distribution
Interest and Investment Earnings
Intragovernmental
Other

Total General Revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

CITY OF IRON RIVER

STATEMENT OF ACTIVITIES FISCAL YEAR ENDED JUNE 30, 2007

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (514,443)	\$ -	\$ (514,443)	\$ -
(8,722)		(8,722)	
(603,908)		(603,908)	
5,134	-	5,134	-
(74,526)		(74,526)	
53,680		53,680	
(66,599)	-	(66,599)	-
(18,477)		(18,477)	
(15,017)		(15,017)	
-	-	-	-
(8,812)		(8,812)	
(399,957)		(399,957)	
\$ (1,651,647)	\$ -	\$ (1,651,647)	\$ -
-	(113,678)	(113,678)	-
	69,842	69,842	
	(13,990)	(13,990)	
	772,845	772,845	-
(1,651,647)	772,845	(878,802)	-
-	-	-	(14,802)
			(136,572)
			(9,596)
			(160,970)
804,485	-	804,485	
		-	184,759
40,106	-	40,106	
450,268		450,268	
61,360	34,757	96,117	10,844
	8,000		
36,213		36,213	28
1,392,432	42,757	1,435,189	195,631
(259,215)	815,602	556,387	34,661
7,169,518	7,024,522	14,194,040	168,807
\$ 6,910,303	\$ 7,840,124	\$ 14,750,427	\$ 203,468

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Major Street Fund
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash and Investments (Note C)	\$ 594,867	\$ 305,550
Prepaid Expenses	525	-
Receivables:		
Taxes	102,705	-
Accounts Receivable	30,624	49,593
Due from Other Funds	78,973	-
Due from Other Governmental Units	-	-
	<hr/>	<hr/>
Total Assets	<u><u>\$ 807,694</u></u>	<u><u>\$ 355,143</u></u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Liabilities</u>		
Accounts Payable	4,361	9,614
Accrued Salaries and Benefits	35,112	4,314
Due to Other Funds	-	-
Deferred Revenue (Note A)	-	-
	<hr/>	<hr/>
Total Liabilities	39,473	13,928
<u>Fund Balances</u>		
Reserved for Streets & Highways	-	341,215
Reserved for Capital Projects	-	-
Reserved for Debt Service	-	-
Unreserved and undesignated	768,221	-
	<hr/>	<hr/>
Total Fund Balances	768,221	341,215
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 807,694</u></u>	<u><u>\$ 355,143</u></u>

CITY OF IRON RIVER

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 208,036	\$ 1,108,453
-	525
-	102,705
13,702	93,919
-	78,973
-	-
<u>\$ 221,738</u>	<u>\$ 1,384,575</u>
796	14,771
2,303	41,729
-	-
-	-
3,099	56,500
202,299	543,514
4,873	4,873
11,467	11,467
-	768,221
218,639	1,328,075
<u>\$ 221,738</u>	<u>\$ 1,384,575</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2007

Fund Balances - Total Governmental Funds	\$ 1,328,075
-------------------------------------------------	---------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:	12,911,066
Accumulated depreciation is:	(6,695,164)

Long term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable	(381,783)
Compensated Absences	(251,891)

Other long term assets not available to pay current period expenditures therefore deferred in the funds

-

Accrued interest is not included as a liability in governmental funds

-

Total Net Assets - Governmental Activities	<u><u>\$ 6,910,303</u></u>
---------------------------------------------------	-----------------------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2007

	General Fund	Major Street Fund
<u>REVENUE</u>		
General Property taxes	\$ 804,485	\$ -
Other local taxes	6,775	-
Penalties and interest on taxes	33,331	-
Licenses, permits, and fines	10,680	-
Use of money and property	270,906	14,677
Charges for services	199,970	-
Miscellaneous	22,810	6,434
Intergovernmental	529,343	363,957
TOTAL REVENUE	\$ 1,878,300	\$ 385,068
<u>EXPENDITURES</u>		
Current Operating:		
General government	498,987	-
Legislative	8,722	-
Public safety	597,628	-
Public works	230,535	-
Highways and streets	95,188	287,923
Sanitation and health	145,090	-
Culture and recreation	74,629	-
Community development	35,877	-
Debt Service		
Principal	-	-
Interest and Fees	-	-
Capital Outlay	60,595	-
Other Costs	-	-
TOTAL EXPENDITURES	\$ 1,747,251	\$ 287,923
Excess (Deficiency) of Revenues Over Expenditures	\$ 131,049	\$ 97,145
<u>Other Financing Sources (Uses)</u>		
Operating transfers in		
Operating transfers out	(33,666)	(40,000)
Total Other Financing Sources(Uses)	(33,666)	(40,000)
Net Change in Fund Balances	97,383	57,145
FUND BALANCES-BEGINNING OF YEAR	670,838	284,070
FUND BALANCES-END OF YEAR	\$ 768,221	\$ 341,215

CITY OF IRON RIVER

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2007

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 804,485
-	6,775
-	33,331
-	10,680
52,634	338,217
-	199,970
-	29,244
120,210	1,013,510
\$ 172,844	\$ 2,436,212
-	498,987
-	8,722
-	597,628
-	230,535
153,476	536,587
	145,090
	74,629
	35,877
53,734	53,734
15,017	15,017
-	60,595
-	-
\$ 222,227	\$ 2,257,401
\$ (49,383)	\$ 178,811
64,854	64,854
64,854	(73,666)
	(8,812)
15,471	169,999
203,168	1,158,076
\$ 218,639	\$ 1,328,075

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ 169,999**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(399,957)
Capital Outlay	60,595

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	53,734
---------------------------------------------------------------------------------------------------------------------------------------------------------	--------

(Increases)Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	(143,586)
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Sale of assets is recorded in the governmental funds as revenue; only the gain is reported in the statement of activities	-
------------------------------------------------------------------------------------------------------------------------------	---

Change in Net Assets of Governmental Activities **\$ (259,215)**

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

ENTERPRISE FUNDS - STATEMENT OF FUND NET ASSETS

JUNE 30, 2007

	<u>WATER FUND</u>	<u>SEWER FUND</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash, unrestricted	\$ 96,930	\$ 97,080
Accounts receivable	109,960	289,026
Due from other governmental units	-	-
Internal Balances	<u>113,000</u>	<u>(113,000)</u>
Total Current Assets	319,890	273,106
<i>Noncurrent Assets</i>		
Restricted cash	464,034	162,829
Capital assets:		
Land and buildings	679,027	2,000
Equipment	1,003,018	-
Infrastructure	10,991,674	3,485,872
Construction in progress	-	432,219
Less:		
Allowance for depreciation	<u>(2,104,235)</u>	<u>(1,094,762)</u>
Total capital assets, net	10,569,484	2,825,329
Total Noncurrent Assets	11,033,518	2,988,158
TOTAL ASSETS	\$ 11,353,408	\$ 3,261,264
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable	3,873	197,794
Accrued benefits	8,329	3,450
Due to other funds	72,063	-
Current portion of long-term debt	104,000	-
Deferred revenues	<u>-</u>	<u>-</u>
Total Current Liabilities	188,265	201,244
<i>Non-current Liabilities</i>		
Revenue bonds payable	<u>6,498,000</u>	<u>-</u>
Total Non-current Liabilities	6,498,000	-
TOTAL LIABILITIES	6,686,265	201,244
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	3,967,484	2,825,329
Reserved	699,659	234,691
Unreserved, undesignated	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	\$ 4,667,143	\$ 3,060,020

CITY OF IRON RIVER

ENTERPRISE FUNDS - STATEMENT OF FUND NET ASSETS

JUNE 30, 2007

<u>RV PARK FUND</u>	<u>ENTERPRISE FUNDS</u>
\$ 13,638	\$ 207,648
-	398,986
-	-
-	-
<hr/>	<hr/>
13,638	606,634
-	626,863
201,372	882,399
-	1,003,018
-	14,477,546
-	432,219
<hr/>	<hr/>
(101,728)	(3,300,725)
99,644	13,494,457
99,644	14,121,320
\$ 113,282	\$ 14,727,954
-	201,667
321	12,100
-	72,063
-	104,000
-	-
<hr/>	<hr/>
321	389,830
-	6,498,000
<hr/>	<hr/>
-	6,498,000
321	6,887,830
99,644	6,892,457
13,317	947,667
-	-
<hr/>	<hr/>
\$ 112,961	\$ 7,840,124

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**ENTERPRISE FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS**

YEAR ENDED JUNE 30, 2007

	<u>WATER FUND</u>	<u>SEWER FUND</u>
OPERATING REVENUES		
Charges for Services	\$ 744,712	\$ 765,111
Equipment Rental	105,404	-
Miscellaneous	24,007	20,310
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	\$ 874,123	\$ 785,421
 OPERATING EXPENSES		
Personal Services and Benefits	305,411	151,546
Contractual Services	40,826	470,728
Repairs and Maintenance	7,000	1,735
Other Supplies and Expenses	142,950	49,214
Depreciation	253,049	42,356
Miscellaneous	-	-
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	\$ 749,236	\$ 715,579
 Operating Income (Loss)	 124,887	 69,842
Non-Operating Revenues (Expenses:)		
Operating Ttansfers in (out)		
Interest Revenue	17,968	16,228
Wellhead Protection grant reimbursement	4,745	-
Sanitary Sewer Collection grant (State of Michigan)	-	69,236
Federal grants		
Lalley Road Project	-	29,428
Interceptor Sewer Project	-	445,500
Iron River North Sewer Project	-	286,507
Operating Ttansfers in (out)	-	-
Interest Expense	(243,310)	-
	<u> </u>	<u> </u>
 Total Non-Operating Revenues (Expenses)	 (220,597)	 846,899
 Change in Net Assets	 (95,710)	 916,741
 NET ASSETS-BEGINNING OF YEAR	 <u>4,762,853</u>	 <u>2,143,279</u>
 NET ASSETS-END OF YEAR	 <u><u>\$ 4,667,143</u></u>	 <u><u>\$ 3,060,020</u></u>

CITY OF IRON RIVER

**ENTERPRISE FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2007

<u>RV PARK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
\$ 2,000	\$ 1,511,823
-	105,404
<u>9,083</u>	<u>53,400</u>
\$ 11,083	\$ 1,670,627
4,768	461,725
-	511,554
1,101	9,836
12,065	204,229
7,139	302,544
<u>-</u>	<u>-</u>
\$ 25,073	\$ 1,489,888
(13,990)	180,739
561	-
-	34,757
-	4,745
-	69,236
-	29,428
-	445,500
-	286,507
8,000	8,000
<u>-</u>	<u>(243,310)</u>
8,561	634,863
(5,429)	815,602
<u>118,390</u>	<u>7,024,522</u>
<u>\$ 112,961</u>	<u>\$ 7,840,124</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>
CASH FLOWS FROM (USED BY)		
<u>OPERATING ACTIVITIES</u>		
Net cash received from fees and services	\$ 833,486	\$ 754,617
Other operating revenues	24,007	20,310
Cash payments to employees for services	(305,411)	(150,936)
Cash payments to goods and services	(185,665)	(511,593)
Other operating expenses	-	-
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	\$ 366,417	\$ 112,398
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>		
Increase (decrease) in due to other funds	25,719	-
(Increase) decrease in due from other funds	-	-
Net operating transfers in (out)	-	-
	<hr/>	<hr/>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	25,719	-
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of capital assets	(16,167)	(1,065,663)
Principal payment on long-term bonds	(101,000)	-
Interest paid on long-term bonds	(243,310)	-
Interest and tax expense	-	-
Proceeds from borrowings	-	-
Cost of Issuance - Bonds	-	-
Contributed capital grants	-	642,961
Other Grants	4,745	-
	<hr/>	<hr/>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(355,732)	(422,702)
<u>INVESTING ACTIVITIES</u>		
Interest Income	17,968	16,228
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	17,968	16,228
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,372	(294,076)
 Cash and Cash Equivalents, Beginning of Year	 <hr/> 506,592	 <hr/> 553,985
Cash and Cash Equivalents, End of Year	\$ 560,964	\$ 259,909

CITY OF IRON RIVER

ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

<u>RV Park Fund</u>	<u>Totals</u>
\$ 11,083	\$ 1,599,186
-	44,317
(4,749)	(461,096)
(13,166)	(710,424)
<u>-</u>	<u>-</u>
\$ (6,832)	\$ 471,983
-	25,719
-	-
<u>8,000</u>	<u>-</u>
8,000	33,719
-	(1,081,830)
-	(101,000)
-	(243,310)
-	-
-	-
-	-
-	642,961
<u>-</u>	<u>4,745</u>
-	(778,434)
<u>561</u>	<u>34,757</u>
561	34,757
1,729	(237,975)
<u>11,909</u>	<u>1,072,486</u>
\$ 13,638	\$ 834,511

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 124,887	\$ 69,842
Adjustment to reconcile operating income to net cash provided by operating activities :		
. Depreciation	253,049	42,356
. Provision for uncollectible accounts	-	-
. Changes in assets and liabilities :		
(Increase) Decrease in accounts receivable	(16,630)	(10,494)
Increase (Decrease) in accounts payable	3,873	10,084
Increase (Decrease) in accrued benefits	1,238	610
Increase (Decrease) in customer deposits	-	-
	-	-
NET CASH FROM OPERATING ACTIVITIES	\$ 366,417	\$ 112,398

CITY OF IRON RIVER

**ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

\$	(13,990)	\$	180,739
	7,139		302,544
	-		-
	-		(27,124)
	-		13,957
	19		1,867
	-		-
<u>\$</u>	<u>(6,832)</u>	<u>\$</u>	<u>471,983</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	PRIVATE-PURPOSE TRUST FUND	AGENCY FUNDS	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 30,535	\$ 289	\$ 30,824
Due From Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ 30,535	\$ 289	\$ 30,824
<u>LIABILITIES</u>			
Due To Other Funds	6,801	109	6,910
Accrued Benefits	<u>10,947</u>	<u>180</u>	<u>11,127</u>
TOTAL LIABILITIES	\$ 17,748	\$ 289	\$ 18,037
<u>NET ASSETS</u>			
Restricted for Employee Benefits	12,787	-	12,787
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	\$ 12,787	\$ -	\$ 12,787

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	PRIVATE-PURPOSE TRUST FUND
<u>ADDITIONS</u>	
Contributions from the City of Iron River	\$ 812
Investment Earnings	<u>457</u>
TOTAL ASSETS	\$ 1,269
 <u>DEDUCTIONS</u>	
Refund overpayment of City contributions	\$ -
Employee Sick Leave Benefits Paid	<u>4,669</u>
TOTAL DEDUCTIONS	\$ 4,669
 CHANGE IN NET ASSETS	 (3,400)
 NET ASSETS - BEGINNING OF YEAR	 <u>16,187</u>
NET ASSETS - END OF YEAR	<u><u>\$ 12,787</u></u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF NET ASSETS – COMPONENT UNITS

JUNE 30, 2007

	<u>DDA</u>	<u>TIF</u>	<u>Brownfield Authority</u>	<u>Total</u>
<u>ASSETS</u>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 14,207	\$ 131,526	\$ 4	\$ 145,737
Investment in Central School Project	-	57,714	-	57,714
Receivables:				
Due from other component units	-	9,600	-	9,600
Accounts	-	-	-	-
Taxes	<u>2,273</u>	<u>-</u>	<u>-</u>	<u>2,273</u>
Total Current Assets	16,480	198,840	4	215,324
<i>Noncurrent Assets</i>				
Capital assets	-	-	-	-
Less:				
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	-	-	-	-
TOTAL ASSETS	\$ 16,480	\$ 198,840	\$ 4	\$ 215,324
<u>LIABILITIES</u>				
<i>Current Liabilities</i>				
Accounts Payable	989	521	-	1,510
Due to other component units	-	-	9,600	9,600
Accrued Employee Benefits	<u>-</u>	<u>746</u>	<u>-</u>	<u>746</u>
Total Current Liabilities	989	1,267	9,600	11,856
TOTAL LIABILITIES	989	1,267	9,600	11,856
<u>NET ASSETS</u>				
Unreserved and Undesignated	<u>15,491</u>	<u>197,573</u>	<u>(9,596)</u>	<u>203,468</u>
TOTAL NET ASSETS	<u>\$ 15,491</u>	<u>\$ 197,573</u>	<u>\$ (9,596)</u>	<u>\$ 203,468</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF ACTIVITIES – COMPONENT UNITS

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>
	<hr/>	<hr/>	<hr/>
Downtown Development Authority	\$ 14,802	\$ -	\$ -
Tax Increment Financing Authority	136,572	-	-
Brownfield Authority	<u>9,596</u>	<u>-</u>	<u>-</u>
TOTAL COMPONENT UNITS	\$ 160,970	\$ -	\$ -

General Revenues:

Property taxes

Interest and Investment earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets-Beginning of Year

Net Assets-End of Year

CITY OF IRON RIVER

STATEMENT OF ACTIVITIES – COMPONENT UNITS

FISCAL YEAR ENDED JUNE 30, 2007

Net (Expense) Revenue and Changes in Net Assets		Brownfield Authority	Totals
DDA	TIF		
\$ (14,802)	\$ -	\$ -	\$ (14,802)
	(136,572)		(136,572)
<u>-</u>	<u>-</u>	<u>(9,596)</u>	<u>(9,596)</u>
\$ (14,802)	\$(136,572)	\$ (9,596)	\$ (160,970)
18,942	165,817	-	184,759
811	10,033		10,844
<u>-</u>	<u>28</u>	<u>-</u>	<u>28</u>
19,753	175,878	-	195,631
4,951	39,306	(9,596)	34,661
<u>10,540</u>	<u>158,267</u>	<u>-</u>	<u>168,807</u>
<u>\$ 15,491</u>	<u>\$ 197,573</u>	<u>\$ (9,596)</u>	<u>\$ 203,468</u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the **City of Iron River**, Iron River, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The **City of Iron River** was organized and began operations on July 01, 2000 as a result of the consolidation of three municipalities - the Cities of Iron River and Stambaugh and the Village of Mineral Hills. As a result of the consolidation, all assets, liabilities, and fund equities for all funds of the respective governmental units were combined to form the opening account balances of the new City. Any reservations or restrictions in the funds of the combining municipalities were also reserved or restricted in the new City of Iron River.

The **City of Iron River** covers an area of approximately 10.125 square miles, operates under a city manager and an elected board of five councilmen and provides services to its approximately 3,614 residents, including police and fire protection, parks and recreation, waste collection and general administrative services.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

In addition, the City owns and operates a water and sewer system and an RV Park as enterprise activities. In accordance with the provisions of GASB 14, certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, the financial statements of the Tax Incremental Financing Authority, the Downtown Development Authority, and the Brownfield Authority are included in the financial statements of the City as discretely presented component units.

Downtown Development Authority/Tax Increment Financing Authority

On November 21, 1979, the City Commission of the **City of Iron River** adopted an ordinance to establish the downtown development authority and to designate the boundaries of the downtown district.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

**Downtown Development Authority/Tax Increment
Financing Authority (Continued)**

The Downtown Development Authority Development Plan and Tax Increment Financing Plan were prepared pursuant to the provisions of Act No. 197 of the Michigan Public Acts of 1975, as amended, MCLA § 125.1651 et. seq. (the "Act").

The Act was enacted to provide a means for local units of government to correct and prevent deterioration in business districts; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation and implementation of development plans in the districts; to promote the economic growth of the districts; to create a board; to prescribe its powers and duties; to authorize the levy and collection of taxes; to authorize the issuance of bonds and other evidences of indebtedness; and to authorize the use of tax increment financing.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

**Downtown Development Authority/Tax Increment
Financing Authority (Continued)**

Tax increment financing is a government financing program which contributes to economic growth and development to facilities, structures or improvements within a development area, thereby facilitating economic growth and development.

Tax increment financing mandates the transfer of tax increment revenues by municipal and county treasurers to authorities created under the Act in order to effectuate the legislative government programs to eliminate property value deterioration and to promote economic growth. (MCLA 125.1651a.)

The Act seeks to accomplish its goals by providing local units of government with the necessary legal, monetary and organizational tools to eliminate property value deterioration and to promote economic growth through publicly initiated projects undertaken cooperatively with privately initiated projects.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

**Downtown Development Authority/Tax Increment
Financing Authority (Continued)**

The Development Plan and Tax Increment Financing Plan have been developed in accordance with the purposes of the Act based on the problems and priorities as perceived by the Downtown Development Authority of the **City of Iron River** and has been submitted to the City Commission of the **City of Iron River** for its approval.

BROWNFIELD AUTHORITY

The Brownfield Authority was organized by community-minded volunteers to develop a Brownfield Plan for the City, including a list of properties with real or perceived contamination that could be developed. The Brownfield Authority can capture new city and county taxes from developed property, can borrow from the City or the DDA, and can apply for state grants and/or loans.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method.

However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

The **City of Iron River** and the **City of Stambaugh Building Authorities** are blended as part of the primary government because their sole purpose is to finance and construct the City's public buildings.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Iron River Building Authority (Continued)

The City of Iron River Building Authority was created by the City and organized as a separate legal entity.

The Articles of Incorporation were adopted by the City Commission of the **City of Iron River** on November 9, 1993 for the purpose of forming a non-profit municipal Building Authority under the provisions of Act 31, Public Acts of Michigan, 1948.

The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use of any legitimate public purpose of the **City of Iron River**.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Iron River Building Authority (Continued)

The Authority is governed by a Board of Commissioners, each to be elected by the City Commission of the **City of Iron River**, except that no member of the legislative body of the **City of Iron River** shall be eligible for membership or appointment to this Authority.

The Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$320,000 in anticipation of the commitments of the City under the contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Iron River Building Authority (Continued)

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond of the denomination of \$320,000, payable in principal installments on November 01 of each year.

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$ 5000, along with accrued interest, was due on November 01, 1996.

City of Stambaugh Building Authority

The Stambaugh Building Authority was created by the former City of Stambaugh and organized as a separate legal entity.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Stambaugh Building Authority (Continued)

The Articles of Incorporation were adopted by the City Commission of the former City of Stambaugh on April 07, 1993 for the purpose of forming a non-profit municipal building authority under the provisions of Act 31, Public Acts of Michigan, 1948.

The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures for use of any legitimate public purpose of the City.

The Authority is governed by a Board of three members elected by the City Commission, except that no member of the legislative body of the City shall be eligible for membership or appointment to this Authority.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Stambaugh Building Authority (Continued)

The Authority entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$ 205,000. The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

West Iron County Sewer Authority

The **City of Iron River** has entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

West Iron County Sewer Authority (Continued)

Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron County Sewer Authority.

Pursuant to the terms of the Authority's Sewer Use Ordinance adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

West Iron County Sewer Authority (Continued)

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01.

This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 1, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance and replacement ("OMR") expenses and debt retirement expenses.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

West Iron County Sewer Authority (Continued)

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended June 30, 2007, the **City of Iron River** paid to the Authority fees totaling \$ 379,108 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

<p>West Iron County Sewer Authority P.O. Box 246 Caspian, Michigan 49915</p>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

West Iron County Fire Board

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates and Stambaugh Townships, and the **City of Iron River**, Iron County, Michigan. The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

**JOINTLY GOVERNED ORGANIZATIONS
(Continued)**

West Iron County Fire Board (Continued)

The Board is funded by assessments from the participating municipalities. Financial statements are available by writing to the West Iron County Fire Board at:

West Iron County Fire Board
P.O. Box 203
Iron River, Michigan 49935

West Iron County Volunteer Fire Department

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the **City of Iron River** and the townships of Bates, Iron River, and Stambaugh. The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

**JOINTLY GOVERNED ORGANIZATIONS
(Continued)**

**West Iron County Volunteer Fire Department
(Continued)**

The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

<p>West Iron County Volunteer Fire Department 640 9th Street Iron River, Michigan 49935</p>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

Iron River Housing Commission

The Iron River Housing Commission ("The Authority") is a non-profit corporation which was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies.

The Mayor of Iron River appoints the five member Board of Commissioners for five year terms.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS (Continued)

Iron River Housing Commission (Continued)

The Board sets policy of the Authority and hires the Executive Director who hires and directs the Authority's staff.

The Authority is not a department of the **City of Iron River**. However, the Authority cooperates closely with the City in carrying out housing programs within the Iron River area.

The basis of the Authority's relationship with the City is a cooperative agreement, which calls for the City to provide support services (police, fire, etc.) to the Authority's developments. In exchange, the Authority makes voluntary payments in lieu of taxes (PILOT) to the **City of Iron River**.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS (Continued)

Iron River Housing Commission (Continued)

Financial statements can be obtained by writing to:

Iron River Housing Commission
236 Third Avenue
Iron River, Michigan 49935

Stambaugh Housing Commission

The Stambaugh Housing Commission was formed in 1968 under the criteria established for low income housing programs by the United States Department of Housing and Urban Development.

The Commission operates under a board of commissioners appointed by the City Council.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS (Continued)

Stambaugh Housing Commission (Continued)

Financial statements can be requested by writing to:

Stambaugh Housing Commission
208 Jefferson Avenue
Iron River, Michigan 49935

BASIS OF PRESENTATION

The City follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories: - 1) invested in capital assets, net of related debt; 2) reserved; and 3) unreserved.

Statement of Program Activities

The statement of activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules (Continued)

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The discretely presented component units are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The criteria applied for major fund qualification is as follows:

- 1) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.
- 2) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or any other elements taken one a time would have to pass both the 10% test and the 5% test for the fund to be required to be considered a major fund.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain inter-governmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the City are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The following is a brief description of the specific funds used by the City.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues. The General Fund is always a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The City's *Major & Local Street Funds* are *Special Revenue Funds*. The *Major Street Fund* is considered a major fund for reporting purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

Debt Service Fund (Continued)

The *Iron River* and *Stambaugh Building Authorities* have been included as *Debt Service Fund* types. The governmental funds use the modified accrual basis of accounting.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which is not accounted for by Proprietary Funds, Special Assessment Funds or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

Capital Projects Fund (Continued)

During the fiscal year ended June 30, 2007, the City maintained one capital project fund. The *Barris Property/Skateboard Fund* is a non-major fund.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The *Water Fund*, *Sewer Fund*, and *RV Park Fund* are *Proprietary Funds*.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The City's *Current Tax Collection Fund*, the *Sick Leave Fund*, the *Employee Trust Fund* and the *Health Reimbursement Fund* are *Fiduciary Funds*. Agency funds are custodial in nature and do not involve measurement of results of operations. Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Non-expendable Trust Funds when applicable, are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statement of Net Assets, Statement of Activities, financial statements of Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the City's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The City classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the City for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the City for future expenditures.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The City follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Although no longer required, the City adopts budgets for the Capital Projects and Debt Retirement Funds as well. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of the preceding fiscal year, the City prepares a budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

2. A meeting of the City Council is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the members of the City Council.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the City Council. Amendments are presented to the Council at their regular meetings. Each amendment must have Council approval.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments July 01 and December 01. They are declared delinquent on March 01 of the following year.

The City bills and collects its own property taxes and also collects taxes for the school district and County. Collections for the schools and county are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the City the delinquent real property taxes outstanding as of March 31 of each year. The 2006 Taxable Valuation of the City was \$46,674,694, on which was levied 19.6029 mills for general operation of the City. In addition, the City collects a 1% administration fee on all taxes collected.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX (Continued)

The Board further established penalties on all taxes collected on or before August 01, pursuant to the following schedule:

1% penalty if taxes are paid on August 01 through August 30; an additional 1% penalty on all taxes paid on September 01 through February 28.

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the City's capitalization threshold of \$ 1,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings..... 20 - 30 years

Infrastructure..... 10 - 65 years

**Furniture and Other
Equipment..... 5 - 20 years**

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

To the extent the City's capitalization threshold of \$ 1,000 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The agreement between the **City of Iron River** and the City of Iron River Employees' Chapter of Local #1424, Affiliated with Michigan Council #25 AFSCME, AFL-CIO provides for the following benefits:

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Sick Leave

Sick leave with pay shall be granted the employees on the following basis: Each employee shall earn (1) day of paid sick leave for each month of continuous service, which sick leave may be accumulated up to a total of two hundred (200) days.

One half of the accumulated sick leave, plus the related costs of FICA, Medicare, and retirement, will be payable at termination.

As of June 30, calculated at the current rates of pay, employees of the City have accumulated sick leave benefits in the amount of \$ 50,946. At 50% payout, the City's liability for accumulated sick leave, plus the related costs of FICA, Medicare, and retirement is \$ 25,473.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Sick Leave (Continued)

The City has policy to fund one-half the sick leave liability and has established a Sick Leave Fund within the Trust and Agency Fund for this purpose.

The funding level required to meet this obligation at June 30, 2007 is \$12,764. The City has met this funding obligation as of June 30.

Personal Leave

Beginning in the 2005-06 fiscal year, the City gave all employees the option of converting their unused sick leave to personal leave days, which will be payable at 50% the accumulated value at retirement or termination, just as is the sick leave. However, unlike the sick leave which is funded through the Sick Leave Fund, the City's liability for personal leave is not funded by the City. As of June 30, 2007, the City's liability for unused personal leave was \$239,128, with a payoff liability of \$119,564.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Vacation

Employees earn vacation benefits on a graduated scale based upon years of continuous service. Vacation time cannot be accumulated from one year to another, and if not taken by the employment anniversary date, is lost.

As of June 30, 2007, calculated at the current rates of pay, the City's liability for accrued vacation plus the related costs of FICA and Medicare is \$ 54,575.

POST RETIREMENT EMPLOYEE BENEFITS

The **City of Iron River**, as stated in the agreement between the **City of Iron River** and the **City of Iron River** employees' Chapter of Local #1424, affiliated with the Michigan Council #25 AFSCME, AFL-CIO, will pay two-thirds of the insurance premium for Blue Cross/Blue Shield Hospital and Medical Insurance for the employee only, after he/she retires, from the age of sixty-two and through the age of sixty-five.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

The amounts of the inter-fund receivables and payables as of
June 30, 2007 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General Fund	\$ 78973	\$ -0-
Sick Leave Fund	-0-	6701
Water Fund	113000	72063
Water Construction Fund	-0-	-0-
Sewer Fund	-0-	113000
Trust and Agency Fund	-0-	109
Employee Trust Fund		
Health Reimbursement Account	-0-	100
TIF	9600	-0-
Brownfield Authority	<u>-0-</u>	<u>9600</u>
Totals	\$ <u>201573</u>	\$ <u>201573</u>

(Continued on page 106)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

(Continued from previous page)

<u>Summary by Fund Classification</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
Major Funds-Governmental	\$ 78973	\$ -0-
Enterprise Funds	113000	185063
Private-Purpose Trust Funds	-0-	6801
Agency Fund	-0-	109
Component Units	<u>9600</u>	<u>9600</u>
Totals	\$ 201573	\$ 201573

Most of the above inter-fund receivables/payables are the result of operating activities occurring prior to year-end, and are expected to be cleared shortly thereafter. In addition, the Water Fund loaned the Sewer Fund \$113,000, and the TIF loaned the Brownfield Authority \$9,600 for start-up costs.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2007, the City authorized the following transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -0-	\$ 33666
Debt Service	24854	-0-
Sick Leave Fund	812	-0-
Major Street Fund	-0-	40000
Local Street Fund	40000	-0-
RV Park	<u>8000</u>	<u>-0-</u>
Totals	\$ <u><u>73666</u></u>	\$ <u><u>73666</u></u>

(Continued on page 108)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)

(Continued from previous page)

<u>Summary by Fund Classification</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds-Governmental	\$ -0-	\$ 73666
Non-major Funds-Governmental	64854	-0-
Enterprise Funds	8000	-0-
Private-Purpose Trust Funds	<u>812</u>	<u>-0-</u>
Totals	\$ <u>73666</u>	\$ <u>73666</u>

The General Fund transfers funds to the Debt Service Fund to provide monies for payment of principal and interest on notes/loans not provided for by Debt Service millage, and also transfers funds to the RV Park Fund to defray expenses.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)

The General Fund transferred funds to the Sick Leave Fund to meet its funding obligation.

The Major Street Fund transferred a portion of its Act 51 funding, as allowed by statute, to supplement the needs of the Local Street Fund.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

As a result of the consolidation of the Cities of Iron River and Stambaugh, and the Village of Mineral Hills, all restrictions in the use of funds of the respective cities and village are also restricted in the new **City of Iron River**.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

STAMBAUGH WATER SYSTEM REVENUE BONDS

The bonding ordinance for the Water System Revenue Bonds of the former City of Stambaugh, requires certain cash balances be reserved for bond repayment.

Bond and Interest Redemption Fund

Revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers.

Sufficient amounts must be set aside to pay for the principal and interest payments accruing on the bonds.

The City had a payment for principal and interest due on May 01, 2007, so the balance required in the bond and interest redemption account would be zero. The City would transfer its next quarterly deposit in July, 2007.

The actual balance on June 30, 2007 in the bond and interest redemption account was \$ 26,802.

The City was in compliance with this requirement.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

**STAMBAUGH WATER SYSTEM REVENUE BONDS
(Continued)**

Reserve Account

A reserve account for Bond and Interest Redemption is to be funded in the amount of \$1,000 per month, beginning on July 01, 1999, until there is accumulated the sum of \$120,000. No further deposits need be made thereafter.

Monies in the reserve account shall be used solely for payment of principal installments and interest on the bonds as to which there would otherwise be default.

On June 30, the City was required to have a balance of \$96,000 in the Reserve Account. The actual June 30, 2007 balance was \$101,445.

The City was in compliance with this requirement.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STAMBAUGH WATER SYSTEM REVENUE BONDS
(Continued)

Repair, Replacement, and Improvement Fund

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System, and, when necessary, for the purpose of making payments of principal and interest on the First Series Bond.

If the amount in the Bond and Interest Redemption Fund and the Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STAMBAUGH WATER SYSTEM REVENUE BONDS
(Continued)

Repair, Replacement, and Improvement Fund
(Continued)

Beginning July 01, 1999, the City was required to deposit into the RRI fund an annual amount not less than \$22,000 less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year month.

On June 30, the City was required to have a balance of \$80,000 in the Repair, Replacement, and Improvement Account. The actual balance on June 30, 2007 was \$84,443.

The City was in compliance with this requirement.

**CITY OF IRON RIVER 2001 WATER SUPPLY
SYSTEM REVENUE BOND**

The bonding ordinance for the City of Iron River 2001 Water Supply System Revenue Bond requires certain cash balances be reserved, as follows:

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY
SYSTEM REVENUE BOND (Continued)**

Bond and Interest Redemption Fund

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments on the bonds.

The City had a payment for principal and interest due on May 01, 2007, so the balance required in the bond and interest redemption account would be zero. The City would transfer its next quarterly deposit in July, 2007. The actual balance on June 30, 2007 in the Bond and Interest Redemption Account was \$39,164.

On June 30, the City was in compliance with this requirement.

Reserve Account

A reserve account for Bond and Interest Redemption is to be funded in the amount of \$5750 per quarter, beginning on July 01, 2001, until there is accumulated the sum of \$230,000. No further deposits need be made thereafter.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY
SYSTEM REVENUE BOND (Continued)**

Reserve Account (Continued)

Monies in the reserve account shall be used solely for payment of principal installments and interest on the bonds as to which there would otherwise be default.

On June 30, the City was required to have a balance of \$138,000 in the reserve account. The actual balance on June 30, 2007 was \$149,802.

The City was in compliance with this requirement.

Repair, Replacement, and Improvement Fund

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the system, (c) acquiring and constructing extensions and improvements to the System, and, when necessary, for the purpose of making payments of principal and interest on the Bond.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY
SYSTEM REVENUE BOND (Continued)**

**Repair, Replacement, and Improvement Fund
(Continued)**

If the amount in the Bond and Interest Redemption Fund and Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose.

Beginning July 01, 2001, the City was required to deposit into the RRI fund a quarterly amount not less than \$9500 less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year quarter.

On June 30, the City was required to have a balance of \$71,861 in the Repair, Replacement, and Improvement Account. The Michigan Department of Environmental Quality approved an expenditure in the amount of \$15,767.42, therefore the required balance is \$56,094. The actual balance on June 30, 2007 was \$62,378.

The City was in compliance with this requirement.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

RESTRICTED CASH - SEWER FUND

As a result of an administrative consent order between the **City of Iron River** and the State of Michigan Department of Environmental Quality, the City was required, no later than July 01, 2002, to raise average residential sewer rates per household to generate a minimum of \$227,100 annually. This amount is required to be set aside as an escrow account, established by the City, for future improvements on the wastewater collection system, including engineering expenses. The amount to be collected annually must be adjusted for inflation on July 01 every year, using the American City and County Construction Cost Index determination of average annual inflation. Expenses for improvements on the wastewater collection system can be paid from these monies which have been set aside with approval from the DEQ.

The required balance of this account on June 30, 2007, was \$102,142. The actual balance was \$102,205.

The City is in compliance with this consent order.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT

On June 30, 2007, the carrying value of the City's deposits (Primary Government) was \$1,973,788 and is comprised of cash and deposits reflected in the following funds.

Governmental Funds

General Fund	\$	594867
Major Street Fund		305550
Local Street Fund		191696
Debt Service		7400
Building Authority		4067
Capital Projects (Equipment Fund)		<u>4873</u>

<i>Total Governmental Funds</i>	\$	1108453
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(Continued on page 119)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

(Continued from previous page)

Enterprise Funds

Water Fund	\$	560963
Sewer Fund		259910
RV Park Fund		<u>13638</u>

<i>Total Enterprise Funds</i>	\$	834511
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Fiduciary Funds

Tax Collection Fund	\$	109
Sick Leave Fund		19464
Employee Trust Fund		180
Health Reimbursement Fund		<u>11071</u>

<i>Total Fiduciary Funds</i>	\$	30824
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Total Primary Government	\$	1973788
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CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, Risk Disclosures for the Local Unit's Cash Deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the City or its agent in the City's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3

Deposits which are not collateralized or insured.

Based on these levels of risk, the City's cash deposits
(Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 222844	\$ -0-	\$ 1750944	\$ 1973788

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

COMPONENT UNITS

On June 30, 2007 the carrying value of the Component Unit's deposits was \$ 145,737 and is comprised of cash and deposits reflected as follows:

Downtown Development Authority	\$	14207
Tax Increment Financing		131526
Brownfield Authority		<u>4</u>
Total Component Units	\$	145737

Based on the levels of risk, the Component Unit's cash and deposits are classified as follows:

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

<u>Component Units</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ -0-	\$ -0-	\$ 145737	\$ 145737

INVESTMENTS

The City's investments are categorized below to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the City's name.

Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the City's name.

Neither the City nor the Component Units have investments, as reflected below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
<u>Investment Type</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Investments	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the City to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The City has adopted an investment policy, allowing for all types of deposits and investments listed above. The City's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

DESCRIPTION OF PLAN AND PLAN ASSETS

The **City of Iron River** participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS).

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS
(Continued)

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries.

The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS
(Continued)

MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to:

<p>MERS 447 North Canal Street Lansing, Michigan 48917-9755</p>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by negotiation with the **City of Iron River's** competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate. The required contribution rate was 18.23% as of December 31, 2006.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2007, the City's contributions totaling \$ 167,228 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined based on the entry age normal funding method.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION COST (Continued)

Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION FOR GASB STATEMENT NO. 25

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
2002	\$ 4061115	\$ 4167084	\$ 105969	97%	\$ 795179	13
2003	4163328	4537454	374126	92%	855919	44
2004	4324886	5016462	691576	86%	891242	78
2005	4536582	5448252	911670	83%	938299	97
2006	4849507	5794692	945185	84%	968514	98

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27.

Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that are used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 INFORMATION (as of 12/31/06)

Retirees and beneficiaries currently receiving benefits	\$ 2,022,076
Terminated employees not yet receiving benefits	50,346
Non-vested terminated employees (pending refunds of accumulated member contributions)	468
Current employees - Accumulated employee contributions including allocated investment income	229,711
Employer Financed	<u>3,492,091</u>
Total Actuarial Accrued Liability	5,794,692
Net Assets Available for Benefits as Actuarial Value	4,849,507
(Market Value is \$ 4,917,347)	
Unfunded (Over-funded) Actuarial Accrued Liability	\$ <u>945,185</u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE D - PENSION PLAN (CONTINUED)

GASB 27 INFORMATION (as of 12/31/06)

Fiscal Year Beginning	July 01, 2008
Annual Required Contribution (ARC)	\$ 176,556
Amortization Factor Used (Unfunded Liabilities – 29 years)	0.054719

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

The **City of Iron River**'s actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **City of Iron River** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2006-2007 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 9,393, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)**

BUDGET VIOLATIONS (Continued)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>Major Street Fund</u>			
Routine Maintenance	\$ 150507	\$ 141280	\$ 9227
<u>Local Street Fund</u>			
Routine Maintenance	75141	74975	166

NOTE F - ACCUMULATED FUND DEFICITS

At June 30, 2007, the City had no fund balance/retained earnings deficit in any fund.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE G - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 627371	\$ 2690	\$ -0-	\$ 630061
Construction in Progress	<u>0</u>	<u>0</u>	<u>-0-</u>	<u>0</u>
 Total Capital Assets Not Being Depreciated	 \$ 627371	 \$ 2690	 \$ -0-	 \$ 630061

(Continued on page 139)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
<u>Other Capital Assets</u>				
Land Improvements	\$ 913862	\$ 5396	\$ -0-	\$ 919258
Buildings	2230878	-0-	-0-	2230878
Infrastructure	6354069	-0-	-0-	6354069
Furniture and Other Equipment	<u>2724292</u>	<u>52508</u>	<u>-0-</u>	<u>2776800</u>
Total Other Capital Assets	\$ 12223101	\$ 57904	\$ -0-	\$ 12281005
Less Accumulated Depreciation for:				
Land Improvements	489330	32924	-0-	522254
Buildings	689276	44059	-0-	733335
Infrastructure	2940428	202580	-0-	3143008
Furniture and Other Equipment	<u>2176173</u>	<u>120394</u>	<u>-0-</u>	<u>2296567</u>
Total Accumulated Depreciation	6295207	399957	-0-	6695164
Other Capital Assets, Net	5927894	(342053)	-0-	5585841
TOTALS	\$ <u>6555265</u>	\$ <u>(339363)</u>	\$ <u>-0-</u>	\$ <u>6215902</u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

Depreciation was charged to governmental functions as unallocated.

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2007:

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Balance June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
<u>Capital Assets Not Being Depreciated:</u>				
Land, Easements and Right-of-Way	\$ 2000	\$ -0-	\$ -0-	\$ 2000
Construction in Progress	-0-	432219	-0-	432219
<u>Other Capital Assets:</u>				
Land and Improvements	103709	-0-	-0-	103709
Buildings	776690	-0-	-0-	776690
Infrastructure	13656392	821154	-0-	14477546
Machinery and Equipment	<u>986851</u>	<u>16167</u>	<u>-0-</u>	<u>1003018</u>
Total Capital Assets	\$ <u>15525642</u>	\$ <u>1269540</u>	\$ <u>-0-</u>	\$ <u>16795182</u>

(Continued on page 141)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Land Improvements	\$ 46734	\$ 5185	\$ -0-	\$ 51919
Buildings	235629	15534	-0-	251163
Infrastructure	2225322	211459	-0-	2436781
Machinery and Equipment	<u>490496</u>	<u>70366</u>	<u>-0-</u>	<u>560862</u>
 Total Accumulated				
Depreciation	<u>2998181</u>	<u>302544</u>	<u>-0-</u>	<u>3300725</u>
 TOTALS	 \$ <u>12527461</u>	 \$ <u>966996</u>	 \$ <u>-0-</u>	 \$ <u>13494457</u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

**COMPONENT UNIT - DOWNTOWN DEVELOPMENT
AUTHORITY**

There are no capital assets in the Downtown Development Authority.

**COMPONENT UNIT - TAX INCREMENT FINANCING
AUTHORITY**

There are no capital assets in the Tax Increment Financing Authority.

NOTE I - LONG-TERM DEBT

The following is a summary of changes of the primary government's long-term debt obligation on June 30, 2007:

GOVERNMENTAL ACTIVITIES

	<u>06/30/06</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/07</u>
Note Payable <i>Citizens Bank</i> Heating System Improvement	\$ 160,517.32	\$ 0.00	\$ 23,733.84	\$ 136,783.48

(Continued on page 143)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES (Continued)

(Continued from previous page)

	<u>06/30/06</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/07</u>
Iron River Building Authority				
Bonds Payable	\$ 235,000.00	\$ 0.00	\$ 10,000.00	\$ 225,000.00
Stambaugh Building Authority				
Bonds Payable	40,000.00	0.00	20,000.00	20,000.00
Long-Term Portion Sick Leave	16,185.31	0.00	3,421.77	12,763.54
Long-Term Portion Personal Leave	92,119.35	147,008.17	0.00	239,127.52
Total Long-Term Debt	\$ <u>543,821.98</u>	\$ <u>147,008.17</u>	\$ <u>57,155.61</u>	\$ <u>633,674.54</u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

HEATING SYSTEM IMPROVEMENT

On September 24, 1998, the City entered into an installment purchase agreement with the Citizens Bank in the amount of \$246,320 for the purchase and installation of heating equipment. The note, bearing an interest rate of 5.61%, is payable in fifteen annual installments of \$24,854.03 commencing on October 05, 1999. The useful life of the equipment is determined to be not less than forty (40) years.

The obligation of the City to pay principal and interest under the agreement is a general obligation of the City. The City has agreed to include in its budget and pay each year such sums as are necessary to make all payments when due. The City has designated the obligations under this agreement as "qualified tax-exempt obligations" for the purpose of deduction of interest expense by financial institutions.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

HEATING SYSTEM IMPROVEMENT (Continued)

The installment purchase agreement complies with the provisions of Act 99.

**1995 CITY OF IRON RIVER BUILDING
AUTHORITY BONDS**

The Iron River Building Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$320,000 in anticipation of the commitments of the City under the Contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond in the denomination of \$320,000, payable in principal installments on November 01 of each year.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**1995 CITY OF IRON RIVER BUILDING AUTHORITY
BONDS (Continued)**

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$5,000, along with accrued interest, was due on November 1, 1996.

Scheduled payments of principal and interest are as follows:

	<u>May 01</u> <u>Interest</u>		<u>November 01</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -0-	\$	10,000	\$ 5,765.63	\$ 15,765.63
2008	5,509.38		10,000	5,509.38	21,018.76

(Continued on page 147)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**1995 CITY OF IRON RIVER BUILDING AUTHORITY
BONDS (Continued)**

(Continued from previous page)

	<u>May 01</u>	<u>November 01</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,125.00	\$ 15,000.00	\$ 5,125.00	\$ 25,250.00
2010	4,740.63	15,000.00	4,740.62	24,481.25
2011	4,356.25	15,000.00	4,356.25	23,712.50
2012	3,971.88	15,000.00	3,981.87	22,953.75
2013	3,715.63	15,000.00	3,715.62	22,431.25
2014	3,331.25	15,000.00	3,331.25	21,662.50
2015	2,946.88	15,000.00	2,946.87	20,893.75
2016	2,562.50	20,000.00	2,562.50	25,125.00
2017	2,050.00	20,000.00	2,050.00	24,100.00
2018	1,537.50	20,000.00	1,537.50	23,075.00
2019	1,025.00	20,000.00	1,025.00	22,050.00
2020	<u>512.50</u>	<u>20,000.00</u>	<u>512.50</u>	21,025.00
Totals	\$ <u>41,384.40</u>	\$ <u>225,000.00</u>	\$ <u>47,159.99</u>	\$ <u>313,544.39</u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

1993 STAMBAUGH BUILDING AUTHORITY BONDS

The *Stambaugh Building Authority* entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$205,000. The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City.

The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

The general obligation limited tax building authority bonds were issued on August 26, 1993, and mature annually on May 01 of each year through 2008. Interest is payable semi-annually on May 01 and November 01.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**1993 STAMBAUGH BUILDING AUTHORITY BONDS
(Continued)**

Scheduled payments of principal and interest are stated as follows:

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total Debt Service</u>
Nov. 01, 2007	\$ 0.00		\$ 530.00	\$ 530.00
May 01, 2008	<u>20000.00</u>	5.300%	<u>530.00</u>	<u>20530.00</u>
	\$ 20000.00		\$ 1060.00	\$ 21060.00

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

LONG-TERM EMPLOYEE BENEFITS PAYABLE

Long-Term Sick Leave

Long-term employee sick leave, plus the related costs of FICA, Medicare, and retirement will be payable at the rate of 50% at termination. On June 30, 2007, the accrued liability totaled \$25,527.08. One half of the liability is \$12,763.54 and is reflected as a long term liability in the City's financial statements.

Long-term employee personal leave, plus the related costs of FICA, Medicare, and retirement will be payable at the rate of 50% at termination or retirement. On June 30, 2007, the long-term liability is \$239,127.52.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**LONG-TERM EMPLOYEE BENEFITS PAYABLE
(Continued)**

Long-Term Debt – Business-Type Activities

	<u>June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>
<u>Business-type activities</u>				
Water Supply System Revenue Bond (Former) City of Stambaugh	\$ 2037000	\$ -0-	\$ 28000	\$ 2009000
City of Iron River 2001 Water Supply System Revenue Bond	<u>4666000</u>	<u>-0-</u>	<u>73000</u>	<u>4593000</u>
TOTALS	\$ <u>6703000</u>	\$ <u>-0-</u>	\$ <u>101000</u>	\$ <u>6602000</u>

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE

In May of 1999, the former City of Stambaugh, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved the issuance of water supply system revenue bonds in the amount of \$2,202,000 for the acquisition, construction, and equipping of improvements to the Water Supply system of the former City of Stambaugh.

The total cost of the Project was estimated to be not less than \$4,637,000, and the period of usefulness of the Project was estimated to be not less than 40 years. The remaining cost of the project is to be defrayed from grant funds and Issuer funds on hand and legally available for such use.

Water Supply System bonds mature annually on May 01 of each year through May 01, 2039. Interest is payable semi-annually on May 01 and November 01 of each year at a rate of 4.50% per annum.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE

(Continued)

Scheduled payments of principal and interest are as follows:

	<u>May 01</u>		<u>November 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$	\$ 45,203	\$ 45,203
2008	29,000	45,203	44,550	118,753
2009	31,000	44,550	43,853	119,403
2010	32,000	43,853	43,133	118,986
2011	33,000	43,133	42,390	118,523
2012	35,000	42,390	41,603	118,993

(Continued on page 154)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE
(Continued)

	<u>May 01</u>		<u>November 01</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 36,000	\$ 41,603	\$ 40,793	\$ 118,396
2014	38,000	40,793	39,938	118,731
2015	40,000	39,938	39,038	118,976
2016	41,000	39,038	38,115	118,153
2017	44,000	38,115	37,125	119,240
2018	45,000	37,125	36,113	118,238
2019	48,000	36,113	35,033	119,146
2020-2024	271,000	163,531	157,433	591,964
2025-2029	338,000	130,140	122,535	590,675
2030-2034	421,000	88,562	79,090	588,652
2035-2039	<u>527,000</u>	<u>36,722</u>	<u>24,864</u>	<u>588,586</u>
Totals	\$ 2,009,000	\$ 910,809	\$ 910,809	\$ 3,830,618

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM
REVENUE BOND**

On June 27, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, the **City of Iron River** approved the issuance of water supply system revenue bonds in the amount of \$5,000,000 for the purpose of paying all or part of the cost of water supply system improvements, consisting of water meters, hydrants, valves, transmission and distribution lines, the sites therefore and all related appurtenances and attachments, to serve the users of the City's water system.

The principal of and interest on said revenue bonds shall be payable solely from the revenues received by the City from the operations of the water system. The bonds are payable in annual installments not to exceed forty in number and will bear interest at the rate of 3.25%.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM
REVENUE BOND (Continued)**

Scheduled payments of principal and interest are as follows:

	May 01		November 01	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$	\$ 74,636	\$ 74,636
2008	75,000	74,636	73,418	223,054
2009	78,000	73,418	72,150	223,568
2010	81,000	72,150	70,834	223,984
2011	83,000	70,834	69,485	223,319
2012	86,000	69,485	68,088	223,573
2013	89,000	68,088	66,641	223,729
2014	92,000	66,641	65,146	223,787

(Continued on page 157)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE I - LONG-TERM DEBT (CONTINUED)

**CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM
REVENUE BOND (Continued)**

(Continued from previous page)

	May 01		November 01	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 95,000	\$ 65,146	\$ 63,603	\$ 223,749
2016	98,000	63,603	62,010	223,613
2017	101,000	62,010	60,369	223,379
2018	105,000	60,369	58,663	224,032
2019	108,000	58,663	56,908	223,571
2020	111,000	56,908	55,104	223,012
2021	115,000	55,104	53,235	223,339
2022-2026	635,000	246,188	235,869	1,117,057
2027-2031	743,000	191,200	179,125	1,113,325
2032-2036	873,000	126,735	112,548	1,112,283
2037-2041	<u>1,025,000</u>	<u>51,042</u>	<u>34,386</u>	<u>1,110,428</u>
Totals	\$ 4,593,000	\$ 1,532,220	\$ 1,532,218	\$ 7,657,438

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE J - SEGMENT INFORMATION - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>RV Park Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 874123	\$ 785421	\$ 11083	\$ 1670627
Depreciation and Amortization Expense	253049	42356	7139	302544
Operating Income or (Loss)	124887	69842	(13990)	180739
Operating Grants, Entitlements, and Shared Revenues	4745	-0-	-0-	4745
Operating Transfers:				
In	-0-	-0-	-0-	-0-
(Out)	-0-	-0-	-0-	-0-
Tax Revenues	-0-	-0-	-0-	-0-
Net Income or Loss	(95710)	916741	(5429)	815602
Current Capital:				
Contributions	-0-	-0-	-0-	-0-
Transfers	-0-	-0-	-0-	-0-

(Continued on page 159)

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)

(Continued from previous page)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>RV Park Fund</u>	<u>Total Enterprise Funds</u>
Property, Plant, and Equipment				
Additions	\$ 16167	\$ 1253373	\$ -0-	\$ 1269540
Deletions	-0-	-0-	-0-	-0-
Net Working Capital	131625	71862	13317	216804
Total Assets	11353408	3374264	113282	14840954
Bonds and Other Long-Term Liabilities				
Payable from Operating Revenues	6602000	-0-	-0-	6602000
Payable from Other Sources	-0-	-0-	-0-	-0-
Total Equity	\$ 4667143	\$ 3060020	\$ 112961	\$ 7840124

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or even the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)

On this basis, there were no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2007, there were no subsequent events that would have a significant affect on the City's operations.

CITY OF IRON RIVER

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

JUNE 30, 2007

NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The City participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF IRON RIVER

REQUIRED SUPPLEMENTAL INFORMATION

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
General Property Taxes	\$ 780,000	\$ 804,485	\$ 804,485
Other Local Taxes	9,596	9,596	6,775
Penalties and Interest on Taxes	31,000	31,000	33,331
Licenses, Permits and Fines	3,000	3,000	3,711
Use of Money and Property	215,000	235,450	270,797
Sale of Property	20,000	1,700	1,401
Charges for Services	199,500	199,500	199,970
Miscellaneous	38,000	26,700	28,378
Recovered Costs		-	-
Intergovernmental	735,738	536,668	529,343
TOTAL REVENUE	\$ 2,031,834	\$ 1,848,099	\$ 1,878,191
<u>EXPENDITURES</u>			
General Government	789,473	796,063	498,987
Legislative	9,150	9,150	8,722
Public Safety	615,900	618,007	597,628
Public Works	311,150	242,214	230,535
Highways and Streets	102,295	104,845	95,188
Sanitation and Health	159,380	159,380	145,090
Culture and Recreation	66,455	86,289	74,629
Community Development	16,486	36,886	35,877
Capital Outlay	-	62,170	60,595
Intergovernmental Payments	-	-	-
TOTAL EXPENDITURES	\$ 2,070,289	\$ 2,115,004	\$ 1,747,251
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
Operating Transfers Out	(65,100)	(42,900)	(33,666)
Transfers to Component Units	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(65,100)	(42,900)	(33,666)
NET CHANGE IN FUND BALANCE	(103,555)	(309,805)	97,274
FUND BALANCE - Beginning of Year	670,838	670,838	670,838
FUND BALANCE - End of Year	\$ 567,283	\$ 361,033	\$ 768,112

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

REQUIRED SUPPLEMENTAL INFORMATION

MAJOR STREET FUND - BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE</u>			
State Shared - Act 51	\$ 318,000	\$ 301,120	\$ 349,708
Trunkline Maintenance	30,000	11,880	14,249
Interest Income	9,000	13,230	14,677
Other	211,700	5,545	6,434
TOTAL REVENUE	\$ 568,700	\$ 331,775	\$ 385,068
<u>EXPENDITURES</u>			
Administration	29,875	28,375	24,709
Routine Maintenance	305,155	141,280	150,507
Winter Maintenance	127,565	75,750	72,644
Construction	161,700	15,045	16,010
State Trunkline Maintenance	34,325	31,325	24,053
Capital Outlay	-	-	-
TOTAL EXPENDITURES	\$ 658,620	\$ 291,775	\$ 287,923
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers (Out)	-	(40,000)	(40,000)
NET CHANGE IN FUND BALANCE	(89,920)	-	57,145
FUND BALANCE - Beginning of Year	284,070	284,070	284,070
FUND BALANCE - End of Year	<u>\$ 194,150</u>	<u>\$ 284,070</u>	<u>\$ 341,215</u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF IRON RIVER

OTHER SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2007

	<u>Special Revenue</u>	<u>Debt Service Funds</u>	
	<u>Local Street Fund</u>	<u>Debt Service Fund</u>	<u>Building Authority</u>
<u>ASSETS</u>			
Cash and Investments (Note C)	\$ 191,696	\$ 7,400	\$ 4,067
Receivables			
Accounts Receivable	13,702	-	-
Due from Other Funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 205,398</u>	<u>\$ 7,400</u>	<u>\$ 4,067</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	796	-	-
Accrued Salaries and Benefits	2,303	-	-
Due to Other Funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ 3,099	\$ -	\$ -
 <u>FUND BALANCES</u>			
Reserved for Local Streets	202,299	-	-
Reserved for Capital Projects	-	-	-
Reserved for Debt Service	-	7,400	4,067
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	\$ 202,299	\$ 7,400	\$ 4,067
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 205,398</u>	<u>\$ 7,400</u>	<u>\$ 4,067</u>

CITY OF IRON RIVER

OTHER SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2007

<u>Capital Project Fund</u>	<u>Total</u>
\$ 4,873	\$ 208,036
-	13,702
-	-
<u>\$ 4,873</u>	<u>\$ 221,738</u>
-	796
-	2,303
-	-
<u>\$ -</u>	<u>\$ 3,099</u>
-	202,299
4,873	4,873
-	11,467
<u>\$ 4,873</u>	<u>\$ 218,639</u>
<u>\$ 4,873</u>	<u>\$ 221,738</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

OTHER SUPPLEMENTAL INFORMATION

**NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2007

	<u>Special Revenue</u>	<u>Debt Service Funds</u>	
	<u>Local Street Fund</u>	<u>Debt Service Fund</u>	<u>Building Authority</u>
<u>REVENUE</u>			
Use of money and property	\$ 7,918	\$ 383	\$ 44,079
Miscellaneous local revenue	-	-	-
Intergovernmental	120,210	-	-
TOTAL REVENUE	\$ 128,128	\$ 383	\$ 44,079
<u>EXPENDITURES</u>			
Current:			
Highways and streets	153,476	-	-
Debt Service			
Principal	-	23,734	30,000
Interest and Fees	-	1,120	13,897
Capital Outlay	-	-	-
Other Expense	-	-	-
Intergovernmental Payments	-	-	-
TOTAL EXPENDITURES	\$ 153,476	\$ 24,854	\$ 43,897
Excess (Deficiency) of Revenues Over Expenditures	(25,348)	(24,471)	182
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	40,000	24,854	-
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	40,000	24,854	-
Net Change in Fund Balances	14,652	383	182
FUND BALANCE - BEGINNING OF YEAR	187,647	7,017	3,885
FUND BALANCE - END OF YEAR	<u>\$ 202,299</u>	<u>\$ 7,400</u>	<u>\$ 4,067</u>

CITY OF IRON RIVER

OTHER SUPPLEMENTAL INFORMATION

**NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2007

<u>Capital Project Fund</u>	<u>Totals</u>
\$ 254	\$ 52,634
-	-
-	120,210
\$ 254	\$ 172,844
-	153,476
-	-
-	53,734
-	15,017
-	-
-	-
-	-
\$ -	\$ 222,227
254	(49,383)
-	64,854
-	-
-	64,854
254	15,471
4,619	203,168
<u>\$ 4,873</u>	<u>\$ 218,639</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET

JUNE 30, 2007

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Deposits	\$ 305,550	\$ 191,696	\$ 497,246
Accounts Receivable	<u>49,593</u>	<u>13,702</u>	<u>63,295</u>
TOTAL ASSETS	<u>\$ 355,143</u>	<u>\$ 205,398</u>	<u>\$ 560,541</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	9,614	796	10,410
Accrued Benefits	<u>4,314</u>	<u>2,303</u>	<u>6,617</u>
TOTAL LIABILITIES	13,928	3,099	17,027
<u>FUND EQUITY</u>			
Fund Balance, Reserved	<u>341,215</u>	<u>202,299</u>	<u>543,514</u>
TOTAL FUND EQUITY	341,215	202,299	543,514
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 355,143</u>	<u>\$ 205,398</u>	<u>\$ 560,541</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

FISCAL YEAR ENDED JUNE 30, 2007

	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>REVENUES</u>			
State Shared Revenue - Act 51	\$ 349,708	\$ 120,210	\$ 469,918
Trunkline Maintenance	14,249	-	14,249
Reimbursement - Iron River Watershed	6,434	-	6,434
Interest	14,677	7,918	22,595
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 385,068	\$ 128,128	\$ 513,196
 <u>EXPENDITURES</u>			
Administration	24,709	6,992	31,701
Routine Maintenance	150,507	75,141	225,648
Winter Maintenance	72,644	71,343	143,987
Contruccion	16,010	-	16,010
State Trunkline Maintenance :			
General Maintenance	6,791	-	6,791
Sweeping	3,162	-	3,162
Traffic	1,966	-	1,966
Snow Removal	12,134	-	12,134
Capital Outlay	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 287,923	\$ 153,476	\$ 441,399
 Excess of Revenues Over (Under)			
Expenditures	97,145	(25,348)	71,797
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In (Out)	(40,000)	40,000	-
 Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	57,145	14,652	71,797
 FUND BALANCE, JULY 1	<hr/>	<hr/>	<hr/>
	284,070	187,647	471,717
 FUND BALANCE, JUNE 30	<hr/>	<hr/>	<hr/>
	\$ 341,215	\$ 202,299	\$ 543,514

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

DEBT SERVICE FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2007

	DEBT SERVICE FUND	BUILDING AUTHORITY	TOTAL
<u>ASSETS</u>			
Cash and Deposits	\$ 7,400	\$ 4,067	\$ 11,467
TOTAL ASSETS	\$ 7,400	\$ 4,067	\$ 11,467
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	-	-	-
TOTAL LIABILITIES	-	-	-
<u>FUND EQUITY</u>			
Fund Balance, Reserved	7,400	4,067	11,467
TOTAL FUND EQUITY	7,400	4,067	11,467
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,400	\$ 4,067	\$ 11,467

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**DEBT SERVICE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2007

	DEBT SERVICE FUND	BUILDING AUTHORITY	TOTAL
<u>REVENUES</u>			
Rental Income	\$ -	\$ 43,897	\$ 43,897
Interest	383	182	565
TOTAL REVENUES	\$ 383	\$ 44,079	\$ 44,462
<u>EXPENDITURES</u>			
Debt Service			-
Principal	23,734	30,000	53,734
Interest	1,120	13,897	15,017
TOTAL EXPENDITURES	24,854	43,897	68,751
			-
			-
Excess of Revenues Over (Under)			
Expenditures	(24,471)	182	(24,289)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In (Out)	24,854	-	24,854
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	383	182	565
FUND BALANCE, JULY 1	7,017	3,885	10,902
FUND BALANCE, JUNE 30	\$ 7,400	\$ 4,067	\$ 11,467

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

ENTERPRISE FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2007

	<u>WATER FUND</u>	<u>SEWER FUND</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash, unrestricted	\$ 96,930	\$ 97,080
Accounts receivable	109,960	289,026
Due from other governmental units	-	-
Due from other funds	<u>113,000</u>	<u> </u>
Total Current Assets	319,890	386,106
<i>Noncurrent Assets</i>		
Restricted cash	464,034	162,829
Capital assets:		
Land and buildings	679,027	2,000
Equipment	1,003,018	-
Infrastructure	10,991,674	3,485,872
Construction in progress	-	432,219
Less:		
Allowance for depreciation	<u>(2,104,235)</u>	<u>(1,094,762)</u>
Total capital assets, net	10,569,484	2,825,329
Total Noncurrent Assets	11,033,518	2,988,158
TOTAL ASSETS	<u>\$ 11,353,408</u>	<u>\$ 3,374,264</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable	3,873	197,794
Accrued benefits	8,329	3,450
Due to other funds	72,063	113,000
Current portion of long-term debt	104,000	-
Deferred revenues	<u>-</u>	<u>-</u>
Total Current Liabilities	188,265	314,244
<i>Non-current Liabilities</i>		
Revenue bonds payable	<u>6,498,000</u>	<u>-</u>
Total Non-current Liabilities	6,498,000	-
TOTAL LIABILITIES	6,686,265	314,244
<u>FUND EQUITY</u>		
Retained Earnings	<u>4,667,143</u>	<u>3,060,020</u>
TOTAL FUND EQUITY	4,667,143	3,060,020
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 11,353,408</u>	<u>\$ 3,374,264</u>

CITY OF IRON RIVER

ENTERPRISE FUNDS - COMBINING BALANCE SHEET

JUNE 30, 2007

RV PARK FUND	ENTERPRISE FUNDS
\$ 13,638	\$ 207,648
-	398,986
-	-
-	113,000
<hr/>	<hr/>
13,638	719,634
-	626,863
201,372	882,399
-	1,003,018
-	14,477,546
-	432,219
<hr/>	<hr/>
(101,728)	(3,300,725)
99,644	13,494,457
99,644	14,121,320
<hr/>	<hr/>
\$ 113,282	\$ 14,840,954
<hr/>	<hr/>
-	201,667
321	12,100
-	185,063
-	104,000
-	-
<hr/>	<hr/>
321	502,830
-	6,498,000
<hr/>	<hr/>
-	6,498,000
321	7,000,830
112,961	7,840,124
<hr/>	<hr/>
112,961	7,840,124
<hr/>	<hr/>
\$ 113,282	\$ 14,840,954
<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>WATER FUND</u>	<u>SEWER FUND</u>
OPERATING REVENUES		
Charges for Services	\$ 744,712	\$ 765,111
Equipment Rental	105,404	-
Miscellaneous	24,007	20,310
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	\$ 874,123	\$ 785,421
 OPERATING EXPENSES		
Personal Services and Benefits	305,411	151,546
Contractual Services	40,826	470,728
Repairs and Maintenance	7,000	1,735
Other Supplies and Expenses	142,950	49,214
Depreciation	253,049	42,356
Miscellaneous		
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	\$ 749,236	\$ 715,579
 Operating Income (Loss)	 124,887	 69,842
 Non-Operating Revenues (Expenses:)		
Interest Revenue	17,968	16,228
Wellhead Protection grant reimbursement	4,745	-
Sanitary Sewer Collection grant (State of Michigan)	-	69,236
Federal grants		
Lalley Road Project	-	29,428
Interceptor Sewer Project	-	445,500
Iron River North Sewer Project	-	286,507
Operating Ttansfers in (out)	-	-
Interest Expense	(243,310)	-
	<u> </u>	<u> </u>
 Total Non-Operating Revenues (Expenses)	 (220,597)	 846,899
 Net Income (Loss)	 (95,710)	 916,741
 RETAINED EARNINGS-BEGINNING OF YEAR	 <u>4,762,853</u>	 <u>2,143,279</u>
 RETAINED EARNINGS-END OF YEAR	 <u><u>\$ 4,667,143</u></u>	 <u><u>\$ 3,060,020</u></u>

CITY OF IRON RIVER

**ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY**

FISCAL YEAR ENDED JUNE 30, 2007

<u>RV PARK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
\$ 2,000	\$ 1,511,823
-	105,404
<u>9,083</u>	<u>53,400</u>
\$ 11,083	\$ 1,670,627
4,768	461,725
-	511,554
1,101	9,836
12,065	204,229
7,139	302,544
<u> </u>	<u>-</u>
\$ 25,073	\$ 1,489,888
(13,990)	180,739
561	-
-	34,757
-	4,745
-	69,236
-	29,428
-	445,500
-	286,507
8,000	8,000
<u>-</u>	<u>(243,310)</u>
8,561	634,863
(5,429)	815,602
<u>118,390</u>	<u>7,024,522</u>
<u>\$ 112,961</u>	<u>\$ 7,840,124</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>
CASH FLOWS FROM (USED BY)		
<u>OPERATING ACTIVITIES</u>		
Net cash received from fees and services	\$ 833,486	\$ 754,617
Other operating revenues	24,007	20,310
Cash payments to employees for services	(305,411)	(150,936)
Cash payments to goods and services	(185,665)	(511,593)
Other operating expenses	-	-
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	\$ 366,417	\$ 112,398
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>		
Increase (decrease) in due to other funds	25,719	-
(Increase) decrease in due from other funds	-	-
Net operating transfers in (out)	-	-
	<hr/>	<hr/>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	25,719	-
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of capital assets	(16,167)	(1,065,663)
Principal payment on long-term bonds	(101,000)	-
Interest paid on long-term bonds	(243,310)	-
Interest and tax expense	-	-
Proceeds from borrowings	-	-
Cost of Issuance - Bonds	-	-
Contributed capital grants	-	642,961
Other Grants	4,745	-
	<hr/>	<hr/>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(355,732)	(422,702)
<u>INVESTING ACTIVITIES</u>		
Interest Income	17,968	16,228
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	17,968	16,228
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,372	(294,076)
 Cash and Cash Equivalents, Beginning of Year	 <hr/> 506,592	 <hr/> 553,985
Cash and Cash Equivalents, End of Year	\$ 560,964	\$ 259,909

CITY OF IRON RIVER

COMBINING STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS

FISCAL YEAR ENDED JUNE 30, 2007

RV Park Fund	Totals
\$ 11,083	\$ 1,599,186
-	44,317
(4,749)	(461,096)
(13,166)	(710,424)
-	-
\$ (6,832)	\$ 471,983
-	25,719
-	-
8,000	
8,000	33,719
-	(1,081,830)
-	(101,000)
-	(243,310)
-	-
-	-
-	-
-	642,961
-	4,745
-	(778,434)
561	34,757
561	34,757
1,729	(237,975)
11,909	1,072,486
\$ 13,638	\$ 834,511

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 124,887	\$ 69,842
Adjustment to reconcile operating income to net cash provided by operating activities :		
. Depreciation	253,049	42,356
. Provision for uncollectible accounts	-	-
. Changes in assets and liabilities :		
(Increase) Decrease in accounts receivable	(16,630)	(10,494)
Increase (Decrease) in accounts payable	3,873	10,084
Increase (Decrease) in accrued benefits	1,238	610
Increase (Decrease) in customer deposits	-	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 366,417</u>	<u>\$ 112,398</u>

CITY OF IRON RIVER

**COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

\$	(13,990)	\$	180,739
	7,139		302,544
	-		-
	-		(27,124)
	-		13,957
	19		1,867
	-		-
	<u> </u>		<u> </u>
\$	(6,832)	\$	471,983

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

GENERAL FUND – BALANCE SHEET*JUNE 30, 2007***ASSETS**

Cash and Deposits	\$ 594,867
Prepaid Taxes	525
Delinquent Taxes Receivable	102,705
Accounts Receivable :	
Federal	-
State	-
Other	30,624
Due From Other - Retirees Health Insurance	-
Due From Other Funds	<u>78,973</u>
TOTAL ASSETS	<u>\$ 807,694</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable	4,361
Accrued Salaries and Benefits	<u>35,112</u>
TOTAL LIABILITIES	\$ 39,473

FUND EQUITY

Fund Balance, Unreserved	<u>768,221</u>
TOTAL FUND EQUITY	768,221

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 807,694</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

GENERAL FUND – STATEMENT OF REVENUES - ACTUAL AND BUDGET

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES			VARIANCE
<u>LOCAL REVENUE</u>	<u>ACTUAL</u>	<u>BUDGET</u>	Favorable (Unfavorable)
<u>Property Tax</u>			
Property Tax	\$ 804,485	\$ 804,485	\$ -
Payment in Lieu of Taxes	6,775	9,596	(2,821)
Penalties, Interest and Fees	<u>33,331</u>	<u>31,000</u>	<u>2,331</u>
Total Property Tax	844,591	845,081	(490)
 Interest	 37,946	 29,000	 8,946
 <u>Revenue From Use of Property</u>			
Equipment Rental	228,770	200,900	27,870
Park Rental	-	-	-
Building Rental	2,550	2,550	-
Sign Rental	<u>1,640</u>	<u>3,000</u>	<u>(1,360)</u>
 Total Revenue From Use of Property	 232,960	 206,450	 26,510
 <u>Other Local Revenue</u>			
Licenses, Permits and Fines	1,750	1,000	750
Garbage Collection	198,770	198,000	770
Grave Openings	1,200	1,500	(300)
Ordinance Violations	1,961	2,000	(39)
Refunds and Reimbursements	17,360	15,000	2,360
Miscellaneous Sales	1,401	1,700	(299)
Penalties	6,969	8,000	(1,031)
Miscellaneous	<u>4,049</u>	<u>3,700</u>	<u>349</u>
 Total Other Local Revenue	 233,460	 230,900	 2,560
 TOTAL LOCAL REVENUE	 \$ 1,348,957	 \$ 1,311,431	 \$ 37,526

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND – STATEMENT OF REVENUES - ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>
<u>STATE REVENUE</u>			
State Shared - Sales Tax	\$ 450,268	\$ 457,238	\$ (6,970)
Metro Act	17,594	17,500	94
DNR Nelson Field	8,030	8,030	-
Library Grant (Pass-Through)	17,400	17,400	-
Liquor Licenses	<u>6,051</u>	<u>6,500</u>	<u>(449)</u>
TOTAL STATE REVENUE	\$ 499,343	\$ 506,668	\$ (7,325)
<u>FEDERAL REVENUE</u>			
USDA Rural Development -Police Car	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>
TOTAL FEDERAL REVENUE	30,000	30,000	-
 TOTAL REVENUES	 \$ 1,878,300	 \$ 1,848,099	 \$ 30,201
 <u>OTHER FINANCING SOURCES :</u>			
<u>Transfer From Other Funds:</u>			
Sick Leave Fund	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINACING SOURCES	-	-	-
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 1,878,300</u>	 <u>\$ 1,848,099</u>	 <u>\$ 30,201</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

GENERAL FUND – STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET

FISCAL YEAR ENDED JUNE 30, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>LEGISLATIVE</u>			
<u>City Commission</u>			
Salaries	\$ 4,965	\$ -	\$ -
Fringe Benefits	380		
Fees and Services	405	-	-
Supplies	214		
Printing/Publishing	40	-	-
Training	494		
Travel	2,224	-	-
TOTAL LEGISLATIVE	\$ 8,722	\$ 9,150	\$ 428
 <u>GENERAL GOVERNMENT</u>			
<u>City Manager</u>			
Salaries	33,870	-	-
Fringe Benefits	33,082		
Supplies	358	-	-
Telephone	737		
Training	589	-	-
Transportation/Travel	5,328		
Miscellaneous	394	-	-
Total City Manager	74,358	79,825	5,467
 <u>Elections</u>			
Fees and Services	5,673	-	-
Supplies	4,875		
Meals	190	-	-
Miscellaneous	327	-	-
Total Elections	11,065	11,150	85
 <u>City Assessor</u>			
Contract Services	20,177	-	-
Supplies	666		
Printing/Publishing	-	-	-
Total City Assessor	\$ 20,843	\$ 23,500	\$ 2,657

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND – STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

			VARIANCE Favorable (Unfavorable)
<u>GENERAL GOVERNMENT</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	
<u>City Clerk</u>			
Salaries	\$ 22,531	\$ -	\$ -
Fringe Benefits	22,502		
Fees and Services	376	-	-
Supplies	1,857		
Membership Dues	440	-	-
Printing/Publishing	1,089		
Training	550	-	-
Travel	864	-	-
	<hr/>	<hr/>	<hr/>
Total City Clerk	50,209	51,600	1,391
 <u>City Treasurer</u>			
Salaries	16,559	-	-
Fringe Benefits	15,929		
Supplies	5,590	-	-
Printing/Publishing	90		
Bank Service Charges	306	-	-
Membership Dues	662		
Contracted Services	100	-	-
Training	715		
Travel	1,887	-	-
	<hr/>	<hr/>	<hr/>
Total City Treasurer	41,838	57,600	15,762
 <u>Building Rental</u>			
City Hall	21,787		
DPW Garage	22,110		
	<hr/>	<hr/>	<hr/>
Total Building Rental	43,897	43,898	1
 <u>Cemetery</u>			
Salaries	3,067	-	-
Fringe Benefits	2,347		
Printing/Publishing	44	-	-
Equipment Rental	199		
Supplies	75	-	-
	<hr/>	<hr/>	<hr/>
Total Cemetery	\$ 5,732	\$ 7,165	\$ 1,433

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

<u>GENERAL GOVERNMENT</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> Favorable (Unfavorable)
<u>City Hall</u>			
Salaries	\$ 12,456	\$ -	\$ -
Fringe Benefits	12,428		
Supplies	15,570	-	-
Contract Services	2,258		
Telephone	4,399	-	-
Repairs and Maintenance	8,932		
Equipment Rental	864	-	-
Utilities	25,206		
Other	2,017	-	-
	<hr/>	<hr/>	<hr/>
Total City Hall	84,130	92,030	7,900
 <u>CITY PROPERTY</u>			
<u>Village Chalet</u>			
Salaries	1,065	-	-
Fringe Benefits	1,051		
Supplies	153	-	-
Repairs and Maintenance	-		
Telephone	29	-	-
Utilities	3,046		
Miscellaneous	450	-	-
	<hr/>	<hr/>	<hr/>
Total Village Chalet	5,794	6,785	991
 <u>Other Property</u>			
Salaries	10,543	-	-
Fringe Benefits	8,933		
Fees and Services	7,831	-	-
Meeting Fees (Boards)	30		
Supplies			
Printing/Publishing			
Contract Services	1,022	-	-
Repairs and Maintenance			
Equipment Rental	1,105	-	-
Utilities			
Miscellaneous	349	-	-
	<hr/>	<hr/>	<hr/>
Total Other Property	29,813	286,125	256,312
 TOTAL CITY PROPERTY	\$ 35,607	\$ 292,910	\$ 257,303

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND - STATEMENT OF EXPENDITURES –ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

<u>GENERAL GOVERNMENT</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>Other</u>			
Board of Review	\$ 913	\$ -	\$ -
Computer Consulting	4,748		
Housing Commission	1,284	-	-
Auditing and Accounting	15,734		
Legal Services	40,682	-	-
Insurance	64,429		
Zoning Board	3,518	-	-
Tax Chargebacks	-		-
	<hr/>	<hr/>	<hr/>
Total Other	131,308	136,385	5,077
 TOTAL GENERAL GOVERNMENT	 \$ 498,987	 \$ 796,063	 \$ 297,076
 <u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries	\$ 261,655	\$ -	\$ -
Fringe Benefits	258,513		
Printing/Publishing	843	-	-
Dues and Subscriptions	895		
Materials, Supplies and Uniforms	5,446	-	-
Repairs and Maintenance	3,184		
Telephone	2,992	-	-
Communications	280		
Gas and Oil	9,178	-	-
Insurance	6,853		
Travel	79	-	-
Miscellaneous	900		-
	<hr/>	<hr/>	<hr/>
Total Police Department	550,818	570,957	20,139
 <u>Fire Department</u>			
Contract Services	19,000	-	-
Fees	60		
Hydrant Rental	27,750		
Printing/Publishing	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fire Department	46,810	47,050	240
 TOTAL PUBLIC SAFETY	 \$ 597,628	 \$ 618,007	 \$ 20,379

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

			VARIANCE Favorable (Unfavorable)
<u>DEPARTMENT OF PUBLIC WORKS</u>	<u>ACTUAL</u>	<u>BUDGET</u>	
Salaries	\$ 63,715	\$ -	\$ -
Fringe Benefits	66,172		
Bridge Maintenance and Repair	1,085	-	-
Supplies	8,110		
Repairs and Maintenance	27,344	-	-
Professional Services	197		
Gas and Oil	38,536	-	-
Equipment Rental	4,853		
Physical Exams	1,136	-	-
Uniforms	3,750		
Telephone	985	-	-
Communications	670		
Utilities	13,982	-	-
Training	-		
	<hr/>	<hr/>	<hr/>
TOTAL DEPARTMENT OF PUBLIC WORKS	\$ 230,535	\$ 242,214	\$ 11,679
<u>HIGHWAY AND STREETS</u>			
<u>Street Improvements</u>			
Repairs and Improvements	-	-	-
	<hr/>	<hr/>	<hr/>
Total Street Improvements	-	-	-
<u>Prisoner Labor</u>			
Contract Services	11,578	-	-
	<hr/>	<hr/>	<hr/>
Total Prisoner Labor	11,578	12,000	422
<u>Tree Removal</u>			
Salaries	10,066	-	-
Fringe Benefits	10,968		
Equipment Rental	620	-	-
	<hr/>	<hr/>	<hr/>
Total Tree Removal	\$ 21,654	\$ 23,080	\$ 1,426

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

			VARIANCE Favorable (Unfavorable)
<u>HIGHWAYS AND STREETS</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	
<u>Sidewalks</u>			
Salaries	\$ 250	\$ -	\$ -
Fringe Benefits	256		
Supplies	20	-	-
Equipment Rental	-		-
	<hr/>	<hr/>	<hr/>
Total Sidewalks	526	3,765	3,239
Street Lights	61,430	66,000	4,570
TOTAL HIGHWAYS AND STREETS	\$ 95,188	\$ 104,845	\$ 9,657
<u>SANITATION AND WASTE REMOVAL</u>			
Salaries	33,841	-	-
Fringe Benefits	34,852		
Supplies	415	-	-
Printing/Publishing	799		
Equipment Rental	468	-	-
Contract Services	74,715		-
	<hr/>	<hr/>	<hr/>
TOTAL SANITATION AND WASTE REMOVAL	\$ 145,090	\$ 159,380	\$ 14,290
<u>COMMUNITY BETTERMENT</u>			
Membership Dues	5,561	-	-
Fees and Services			
Donations	3,386	-	-
Library - Pass Through Grant	17,400		
Community Promotion	8,732	-	-
Printing/Publishing	798		-
	<hr/>	<hr/>	<hr/>
TOTAL COMMUNITY BETTERMENT	\$ 35,877	\$ 36,886	\$ 1,009

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**GENERAL FUND - STATEMENT OF EXPENDITURES – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>COMMUNITY RECREATION</u>			
Salaries	\$ 31,468	\$ -	\$ -
Fringe Benefits	29,708		
Supplies	2,138	-	-
Printing/Publishing	167		
Engineering Services	-		-
Repairs and Maintenance	3,722	-	
Gas and Oil	-		-
Equipment Rental	1,864	-	
Utilities	5,562		-
Miscellaneous	-		-
TOTAL COMMUNITY RECREATION	\$ 74,629	\$ 86,289	\$ 11,660
 CAPITAL OUTLAY	 60,595	 62,170	 1,575
 TOTAL EXPENDITURES	 \$ 1,747,251	 \$ 2,115,004	 \$ 367,753
 <u>OTHER FINANCING USES</u>			
<u>Transfers To Other Funds :</u>			
Debt Service Fund	24,854	24,900	46
Sick Leave Fund	812	10,000	9,188
RV Park Fund	8,000	8,000	-
TOTAL OTHER FINANCING USES	\$ 33,666	\$ 42,900	\$ 9,234
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 1,780,917</u>	 <u>\$ 2,157,904</u>	 <u>\$ 376,987</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

MAJOR STREET FUND - BALANCE SHEET*JUNE 30, 2007***ASSETS**

Cash and Deposits	\$ 305,550
Accounts Receivable	<u>49,593</u>
TOTAL ASSETS	<u>\$ 355,143</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable	9,614
Accrued Benefits	<u>4314</u>
TOTAL LIABILITIES	13,928

FUND EQUITY

Fund Balance, Reserved	<u>341,215</u>
TOTAL FUND EQUITY	341,215

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 355,143</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**MAJOR STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007

			VARIANCE Favorable (Unfavorable)
<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	
<u>Local Sources</u>			
Interest Income	\$ 14,677	\$ 13,230	\$ 1,447
Reimbursement -Iron River Watershed	<u>6,434</u>	<u>5,545</u>	<u>889</u>
Total Local Sources	21,111	18,775	2,336
 <u>State Sources</u>			
State Shared Revenue - Act 51	349,708	301,120	48,588
Trunkline Maintenance	<u>14,249</u>	<u>11,880</u>	<u>2,369</u>
Total State Sources	363,957	313,000	50,957
 TOTAL REVENUES	385,068	331,775	53,293
 <u>EXPENDITURES</u>			
<u>Administration</u>			
Salaries and Wages	11,994	-	-
Fringe Benefits	12,715		
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Administration	24,709	28,375	3,666
 <u>Construction</u>			
Engineering - Lay/Washington Ave.	9,436	-	-
Printing/Publishing	-		-
Apple Blossom Trail	6,574		
Contract Services-Iron River Watershed	<u>-</u>	<u>-</u>	<u>-</u>
Total Construction	\$ 16,010	\$ 15,045	\$ -

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**MAJOR STREET FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

<u>EXPENDITURES</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>Routine Maintenance</u>			
Salaries and Wages	\$ 33,888	\$ -	\$ -
Fringe Benefits	35,936		
Supplies	7,235	-	-
Repairs and Maintenance	19,009		
Equipment Rental	54,439	-	-
Total Routine Maintenance	150,507	141,280	(9,227)
 <u>Winter Maintenance</u>			
Salaries and Wages	16,322	-	-
Fringe Benefits	17,304		
Contract Services - Snow Removal	-		-
Supplies	3,085		
Equipment Rental	35,933	-	-
Total Winter Maintenance	72,644	75,750	3,106
 <u>State Trunkline Maintenance</u>			
<u>General Maintenance</u>			
Salaries and Wages	2,219	-	-
Fringe Benefits	2,353		
Supplies	-	-	-
Equipment Rental	2,219	-	-
Total General Maintenance	6,791	7,415	624
 <u>Sweeping</u>			
Salaries and Wages	578	-	-
Fringe Benefits	613		
Equipment Rental	1,971	-	-
Total Sweeping	\$ 3,162	\$ 5,700	\$ 2,538

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**MAJOR STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

<u>EXPENDITURES</u> (Continued)			VARIANCE
<u>State Trunkline Maintenance</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	Favorable (Unfavorable)
<i>Traffic Control</i>			
Utilities	\$ 1,751	\$ -	\$ -
Repairs and Maintenance	215		
	<hr/>	<hr/>	<hr/>
<i>Total Traffic Control</i>	1,966	2,500	\$ 534
 <i>Snow Removal</i>			
Salaries and Wages	1,496	-	-
Fringe Benefits	1,586		
Supplies	6,053	-	-
Equipment Rental	2,999		
	<hr/>	<hr/>	<hr/>
<i>Total Snow Removal</i>	12,134	15,710	3,576
 Total State Trunkline Maintenance	24,053	31,325	7,272
 Capital Outlay	-	-	-
 TOTAL EXPENDITURES	\$ 287,923	\$ 291,775	\$ 4,817
 Excess of Revenues Over (Under)			
Expenditures	97,145	40,000	58,110
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In (Out)	(40,000)	(40,000)	-
 Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	57,145	-	58,110
 FUND BALANCE, JULY 1	284,070		
	<hr/>		
FUND BALANCE, JUNE 30	\$ 341,215		
	<hr/> <hr/>		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

LOCAL STREET FUND – BALANCE SHEET*JUNE 30, 2007***ASSETS**

Cash and Deposits	\$ 191,696
Accounts Receivable	<u>13,702</u>
TOTAL ASSETS	<u>\$ 205,398</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable	796
Accrued Benefits	<u>2,303</u>
TOTAL LIABILITIES	\$ 3,099

FUND EQUITY

Fund Balance, Reserved	<u>202,299</u>
TOTAL FUND EQUITY	\$ 202,299

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 205,398</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**LOCAL STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Interest Income	\$ 7,918	\$ 6,500	\$ 1,418
Total Local Sources	7,918	6,500	1,418
<u>State Sources</u>			
State Shared Revenue - Act 51	120,210	105,600	14,610
Total State Sources	120,210	105,600	14,610
TOTAL REVENUES	\$ 128,128	\$ 112,100	\$ 16,028
<u>EXPENDITURES</u>			
<u>Administration</u>			
Salaries and Wages	3,394	-	-
Fringe Benefits	3,598	-	-
Total Administration	6,992	7,485	493
<u>Routine Maintenance</u>			
Salaries and Wages	19,538	-	-
Fringe Benefits	20,721	-	-
Supplies	4,152	-	-
Repairs and Maintenance	1,628	-	-
Equipment Rental	29,102	-	-
Total Routine Maintenance	\$ 75,141	\$ 74,975	\$ (166)

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**LOCAL STREET FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

<u>EXPENDITURES</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>Winter Maintenance</u>			
Salaries and Wages	\$ 15,974	\$ -	\$ -
Fringe Benefits	16,936		
Supplies	4,500	-	-
Equipment Rental	<u>33,933</u>	<u>-</u>	<u>-</u>
Total Winter Maintenance	71,343	77,140	5,797
 TOTAL EXPENDITURES	 \$ 153,476	 \$ 159,600	 \$ 6,124
 Excess of Revenues Over (Under)			
Expenditures	(25,348)	(47,500)	22,152
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In (Out)	40,000	40,000	-
 Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	14,652	(7,500)	22,152
 FUND BALANCE, JULY 1	 <u>187,647</u>		
 FUND BALANCE, JUNE 30	 <u>\$ 202,299</u>		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

DEBT SERVICE FUND – BALANCE SHEET

JUNE 30, 2007

ASSETS

Cash and Deposits	<u>\$ 7,400</u>
TOTAL ASSETS	<u><u>\$ 7,400</u></u>

FUND EQUITY

Fund Balance, Reserved	<u>\$ 7,400</u>
TOTAL FUND EQUITY	<u><u>\$ 7,400</u></u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – ACTUAL AND BUDGET**

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

Interest Income	\$ 383
TOTAL REVENUES	\$ 383

EXPENDITURES

Debt Service

Principal	23,734
Interest	1,120
TOTAL EXPENDITURES	\$ 24,854

Excess of Revenues Over (Under) Expenditures	(24,471)
-------------------------------------------------	----------

OTHER FINANCING SOURCES (USES)

Operating Transfers In (Out)	24,854
------------------------------	--------

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	383
----------------------------------------------------------------------------------	-----

FUND BALANCE, JULY 1	7,017
----------------------	-------

FUND BALANCE, JUNE 30	\$ 7,400
------------------------------	-----------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE) –
BALANCE SHEET**

JUNE 30, 2007

ASSETS

Cash and Deposits	<u>\$ 4,067</u>
TOTAL ASSETS	<u>\$ 4,067</u>

FUND EQUITY

Fund Balance, Reserved	<u>\$ 4,067</u>
TOTAL FUND EQUITY	<u>\$ 4,067</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE) -
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

Rental Income - City Hall	\$ 21,787
Rental Income - Public Works Building	22,110
Interest Income	<u>182</u>
 TOTAL REVENUES	 \$ 44,079

EXPENDITURES

Debt Service - City Hall

Principal	10,000
Interest	<u>11,787</u>
 Total Debt Service - City Hall	 21,787

Debt Service - Public Works Building

Principal	20,000
Interest	<u>2,110</u>
 Total Debt Service - Public Works Building	 <u>22,110</u>

TOTAL EXPENDITURES	\$ 43,897
---------------------------	------------------

Excess of Revenues Over (Under) Expenditures	182
-------------------------------------------------	-----

FUND BALANCE, JULY 1	<u>3,885</u>
----------------------	--------------

FUND BALANCE, JUNE 30	<u><u>\$ 4,067</u></u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

CAPITAL PROJECTS FUND - BARRIS PROPERTY/SKATEBOARD PARK – BALANCE SHEET

JUNE 30, 2007

ASSETS

Cash and Deposits	<u>\$ 4,873</u>
TOTAL ASSETS	<u>\$ 4,873</u>

FUND EQUITY

Fund Balance, Reserved	<u>\$ 4,873</u>
TOTAL FUND EQUITY	<u>\$ 4,873</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**CAPITAL PROJECTS FUND - BARRIS PROPERTY/SKATEBOARD PARK -
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

Interest Income	\$ 254
TOTAL REVENUES	\$ 254

EXPENDITURES

Professional Services	-
Capital Outlay	-
TOTAL EXPENDITURES	\$ -

Excess of Revenues Over (Under)	
Expenditures	254

OTHER FINANCING SOURCES (USES)

Transfer In (Out)	-
-------------------	---

Excess of Revenues and Other Financing	
Sources Over (Under) Expenditures	
and Other Financing Uses	254

FUND BALANCE, JULY 1	4,619
----------------------	-------

FUND BALANCE, JUNE 30	\$ 4,873
------------------------------	-----------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

WATER FUND - BALANCE SHEET*JUNE 30, 2007***ASSETS**

Cash and Deposits:	
Restricted	\$ 464,034
Unrestricted	96,930
Accounts Receivable	109,960
Due From Other Funds	113,000
Property, Plant and Equipment	12,673,719
Accumulated Depreciation	<u>(2,104,235)</u>
TOTAL ASSETS	<u>\$ 11,353,408</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable	3,873
Accrued Benefits	8,329
Due to Other Funds	72,063
Bonds Payable	<u>6,602,000</u>
TOTAL LIABILITIES	\$ 6,686,265

FUND EQUITY

Retained Earnings	<u>4,667,143</u>
TOTAL FUND EQUITY	4,667,143
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 11,353,408</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

Water Charges	\$ 739,827
Penalties	21,365
Cost Reimbursement	2,642
Waterline Services	4,885
Equipment Rental	41,085
Hydrant Rental	27,750
Antenna Rental	36,569
	36,569

TOTAL OPERATING REVENUES	\$ 874,123
---------------------------------	-------------------

OPERATING EXPENSES

Office and Administration

Salaries and Wages	47,016
Fringe Benefits	49,845
Supplies	2,062
Printing/Publishing	764
Memberships and Dues	3,187
Contracted Services	
Engineering Services	29,863
Legal Services	2,517
Computer Consulting	333
Insurance	5,219
Other	500
	500

Total Office and Administration	141,306
----------------------------------------	----------------

Public Works

Salaries and Wages	1,085
Fringe Benefits	1,150
Supplies	839
Telephone	414
Utilities	4,219
	4,219

Total Public Works	7,707
---------------------------	--------------

Pump Station

Salaries and Wages	12,307
Fringe Benefits	13,048
Supplies	12
Utilities	36,894
Maintenance and Repair	4,052
Equipment Rental	7,189
	7,189

Total Pump Station	\$ 73,502
---------------------------	------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

OPERATING EXPENSES (Continued)

Water Line

Salaries and Wages	\$ 43,184
Fringe Benefits	45,783
Supplies	3,039
Testing	968
Memberships and Dues	366
Printing/Publishing	334
Contracted Services	1,110
Engineering Services	7,003
Equipment Rental	25,141
Other	449

Total Water Line	127,377
-------------------------	----------------

Water Line Construction

Salaries and Wages	2,436
Fringe Benefits	2,584
Supplies	499
Printing/Publishing	1,419
Equipment Rental	-
Other	-

Total Water Line Construction	6,938
--------------------------------------	--------------

Water Tank

Salaries and Wages	4,652
Fringe Benefits	4,933
Supplies	10
Telephone	14,763
Utilities	2,622
Maintenance and Repair	2,948
Equipment Rental	4,066

Total Water Tank	\$ 33,994
-------------------------	------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

OPERATING EXPENSES (Continued)

Water Hydrants

Salaries and Wages	\$ 8,933
Fringe Benefits	9,471
Supplies	2,064
Printing/Publishing	66
Equipment Rental	3,704
	3,704

Total Water Hydrants	24,238
-----------------------------	---------------

Water Meters

Salaries and Wages	21,957
Fringe Benefits	23,277
Supplies	7,364
Testing	1,395
Equipment Rental	10,873
	10,873

Total Water Meters	64,866
---------------------------	---------------

Tree Removal

Salaries and Wages	7,945
Fringe Benefits	5,805
Equipment Rental	2,509
	2,509

Total Tree Removal	16,259
---------------------------	---------------

Other Expenses

Depreciation	253,049
	253,049

Total Other Expenses	253,049
-----------------------------	----------------

TOTAL OPERATING EXPENSES	\$ 749,236
---------------------------------	-------------------

Operating Profit (Loss)	\$ 124,887
-------------------------	------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**WATER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>OPERATION</u>
<u>NON-OPERATING INCOME</u>	
Interest Income	\$ 17,968
Wellhead Protection Grant Reimbursement	4,745
<u>NON-OPERATING EXPENSE</u>	
Interest Expense	(243,310)
Net Income (Loss)	(95,710)
RETAINED EARNINGS, JULY 1	<u>4,762,853</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 4,667,143</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

WATER FUND - STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 833,486
Other operating revenues	24,007
Cash payments to employees for services	(305,411)
Cash payments to goods and services	(185,665)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ 366,417
-------------------------------------------	-------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	25,719
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-
	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	25,719
-----------------------------------------------------------	---------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(16,167)
Principal payment on long-term bonds	(101,000)
Interest paid on long-term bonds	(243,310)
Interest and tax expense	
Proceeds from borrowings	-
Cost of Issuance - Bonds	-
Contributed capital grants	-
Other Grants	4,745
	4,745

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(355,732)
------------------------------------------------------------------	------------------

INVESTING ACTIVITIES

Interest Income	17,968
	17,968

NET CASH FROM INVESTING ACTIVITIES	17,968
-------------------------------------------	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,372
------------------------------------------------------	--------

Cash and Cash Equivalents, Beginning of Year	506,592
	506,592

Cash and Cash Equivalents, End of Year	\$ 560,964
-----------------------------------------------	-------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**WATER FUND - STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 124,887
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation	253,049
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(16,630)
Increase (Decrease) in accounts payable	3,873
Increase (Decrease) in accrued benefits	1,238
Increase (Decrease) in customer deposits	<u>-</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 366,417</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

SEWER FUND – BALANCE SHEET

JUNE 30, 2007

	<u>Operations</u>	<u>Construction</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and Deposits:			
Restricted	\$ 162,829	\$ -	\$ 162,829
Unrestricted	97,080		97,080
Accounts Receivable	101,316	187,710	289,026
Property, Plant and Equipment	3,487,872		3,487,872
Construction in Progress	-	432,219	432,219
Accumulated Depreciation	(1,094,762)	-	(1,094,762)
TOTAL ASSETS	<u>\$ 2,754,335</u>	<u>\$ 619,929</u>	<u>\$ 3,374,264</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 10,084	\$ 187,710	\$ 197,794
Accrued Benefits	3,450		3,450
Due to Other Funds	113,000	-	113,000
TOTAL LIABILITIES	<u>\$ 126,534</u>	<u>\$ 187,710</u>	<u>\$ 314,244</u>
<u>FUND EQUITY</u>			
Retained Earnings - Reserved for DEQ	\$ 102,205	\$ -	\$ 102,205
Retained Earnings - Reserved for Iron River North Project	60,624	395,182	455,806
Retained Earnings - Reserved for Sewer Interceptor Project		37,037	37,037
Retained Earnings - Reserved for Sewer Utility	2,464,972	-	2,464,972
TOTAL FUND EQUITY	<u>\$ 2,627,801</u>	<u>\$ 432,219</u>	<u>\$ 3,060,020</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,754,335</u>	<u>\$ 619,929</u>	<u>\$ 3,374,264</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

SEWER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Operating Fund</u>	<u>Construction</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>			
Sewer Charges	\$ 758,103	\$ -	\$ 758,103
Sewer Line Services	7,008		7008
Penalties	19,750	-	19750
Miscellaneous	560		560
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	\$ 785,421	\$ -	\$ 785,421
 <u>OPERATING EXPENSES</u>			
<u>Office and Administration</u>			
Salaries and Wages	38,375	-	38,375
Fringe Benefits	40,685		40,685
Supplies	2,065	-	2,065
Insurance	2,381		2,381
Printing/Publishing	965	-	965
Legal Services	2,181		2,181
Computer Consulting	517	-	517
Engineering Services	82,199		82,199
Rental Expense	2,400	-	2,400
Permits and Fees	1,500		1,500
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total Office and Administration	173,268	-	173,268
 <u>Sewer Lines</u>			
Salaries and Wages	27,502	-	27,502
Fringe Benefits	29,158		29,158
Supplies	1,179	-	1,179
Testing	5,282		5,282
Repairs and Maintenance	1,170	-	1,170
Contract Services	6,723		6,723
Equipment Rental	22,356	-	22,356
	<hr/>	<hr/>	<hr/>
Total Sewer Lines	\$ 93,370	\$ -	\$ 93,370

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**SEWER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Operating Fund</u>	<u>Construction</u>	<u>Totals</u>
<u>OPERATING EXPENSES</u> (Continued)			
<u>Lift Station</u>			
Salaries and Wages	\$ 7,682	\$ -	\$ 7,682
Fringe Benefits	8,144		8,144
Supplies	7	-	7
Repairs and Maintenance	565		565
Utilities	2,858	-	2,858
Equipment Rental	8,221		8,221
Total Lift Station	27,477	-	27,477
<u>Sewer Treatment</u>			
Contract Services - O & M	244,883	-	244,883
Contract Services - Debt Retirement	134,225		134,225
Total Sewer Treatment	379,108	-	379,108
<u>Other Expenses</u>			
Depreciation	42,356	-	42,356
Total Other Expenses	42,356	-	42,356
TOTAL OPERATING EXPENSES	\$ 715,579	\$ -	\$ 715,579
 Operating Profit (Loss)	 69,842	 -	 69,842
<u>NON-OPERATING INCOME</u>			
Interest Income	16,228	-	16,228
State Grant-Sanitary Sewer Collection	69,236	-	69,236
Federal Grants			
Lalley Road Project	-	29428	29,428
Interceptor Sewer Project	-	445500	445,500
Iron River North Sewer Project	-	286507	286,507
Net Income (Loss)	\$ 155,306	\$ 761,435	\$ 916,741

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**SEWER FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Operating Fund</u>	<u>Construction</u>	<u>Totals</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 821,153	\$ 491,937	\$ 1,313,090
Transfers (Out)	<u>(491,937)</u>	<u>(821,153)</u>	<u>(1,313,090)</u>
TOTAL OTHER FINANCING SOURCES (USES)	329,216	(329,216)	-
 RETAINED EARNINGS, JULY 1	 <u>2,143,279</u>	 <u>-</u>	 <u>2,143,279</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 2,627,801</u>	<u>\$ 432,219</u>	<u>\$ 3,060,020</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

SEWER FUND - STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 754,617
Other operating revenues	20,310
Cash payments to employees for services	(150,936)
Cash payments to goods and services	(511,593)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ 112,398
-------------------------------------------	-------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-
	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	-
-----------------------------------------------------------	----------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(1,065,663)
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Cost of Issuance - Bonds	-
Contributed capital grants	642,961
Other Grants	-
	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(422,702)
------------------------------------------------------------------	------------------

INVESTING ACTIVITIES

Interest Income	16,228
	16,228

NET CASH FROM INVESTING ACTIVITIES	16,228
-------------------------------------------	---------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(294,076)
------------------------------------------------------	-----------

Cash and Cash Equivalents, Beginning of Year	553,985
	553,985

Cash and Cash Equivalents, End of Year	\$ 259,909
-----------------------------------------------	-------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**SEWER FUND - STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 69,842
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation	42,356
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(10,494)
Increase (Decrease) in accounts payable	10,084
Increase (Decrease) in accrued benefits	610
Increase (Decrease) in customer deposits	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 112,398</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

RV PARK FUND - BALANCE SHEET*JUNE 30, 2007***ASSETS**

Cash and Deposits:

Restricted	\$	-
Unrestricted		13,638

Property, Plant and Equipment		201,372
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Accumulated Depreciation		<u>(101,728)</u>
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TOTAL ASSETS	\$	<u>113,282</u>
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LIABILITIES AND FUND EQUITY**LIABILITIES**

Accrued Benefits		<u>321</u>
------------------	--	------------

TOTAL LIABILITIES		321
--------------------------	--	------------

FUND EQUITY

Retained Earnings		<u>112,961</u>
-------------------	--	----------------

TOTAL FUND EQUITY		112,961
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TOTAL LIABILITIES AND FUND EQUITY	\$	<u>113,282</u>
------------------------------------------	-----------	-----------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

RV PARK FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

Park Revenue	\$	2,000
Reimbursements		9,083
		<hr/>
TOTAL OPERATING REVENUES	\$	11,083

OPERATING EXPENSES

General and Administration

Supplies	736
Utilities	7,881
Telephone	519
Insurance	202
Maintenance and Repair	1,101
Fees and Services	212
Miscellaneous	100
	<hr/>
Total General and Administration	10,751

Routine Maintenance

Salaries and Wages	2,099
Fringe Benefits	2,190
Equipment Rental	1,778
	<hr/>
Total Routine Maintenance	6,067

Winter Maintenance

Salaries and Wages	233
Fringe Benefits	246
Equipment Rental	637
	<hr/>
Total Winter Maintenance	\$ 1,116

The notes to the financial reports are an integral part of this report.

CITY OF IRON RIVER

**RV PARK FUND - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

<u>Other Expenses</u>	
Depreciation	<u>\$ 7,139</u>
Total Other Expenses	7,139
 TOTAL OPERATING EXPENSES	 <u>\$ 25,073</u>
 OPERATING INCOME (LOSS)	 (13,990)
<u>NON-OPERATING INCOME</u>	
Interest Income	561
Operating Transfer In	<u>8,000</u>
 NET INCOME (LOSS)	 (5,429)
 RETAINED EARNINGS, JULY 1	 <u>118,390</u>
RETAINED EARNINGS, JUNE 30	<u><u>\$ 112,961</u></u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

RV PARK FUND - STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 11,083
Other operating revenues	-
Cash payments to employees for services	(4,749)
Cash payments to goods and services	(13,166)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ (6,832)
-------------------------------------------	-------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	8,000
	8,000

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	8,000
-----------------------------------------------------------	--------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Cost of Issuance - Bonds	-
Contributed capital grants	-
Other Grants	-
	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
------------------------------------------------------------------	----------

INVESTING ACTIVITIES

Interest Income	561
	561

NET CASH FROM INVESTING ACTIVITIES	561
-------------------------------------------	------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,729
------------------------------------------------------	-------

Cash and Cash Equivalents, Beginning of Year	11,909
	11,909

Cash and Cash Equivalents, End of Year	\$ 13,638
-----------------------------------------------	------------------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**RV PARK FUND - STATEMENT OF CASH FLOWS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ (13,990)
Adjustment to reconcile operating income to net cash provided by operating activities :	
. Depreciation	7,139
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	-
Increase (Decrease) in accounts payable	-
Increase (Decrease) in accrued benefits	19
Increase (Decrease) in customer deposits	-
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ (6,832)</u></u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**DOWNTOWN DEVELOPMENT AUTHORITY - BALANCE SHEET - DISCRETELY
PRESENTED COMPONENT UNIT**

JUNE 30, 2007

ASSETS

Cash and Deposits	\$ 14,207
Taxes Receivable	<u>2,273</u>
TOTAL ASSETS	<u>\$ 16,480</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	<u>989</u>
TOTAL LIABILITIES	989

FUND EQUITY

Fund Balance, Unreserved	<u>15,491</u>
TOTAL FUND EQUITY	15,491
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 16,480</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**DOWNTOWN DEVELOPMENT AUTHORITY - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT**

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

Property Tax	\$	18,942
Interest Income		<u>811</u>
TOTAL REVENUES	\$	19,753

EXPENDITURES

Community Promotion		2,152
Professional Services		8,242
Supplies		1,175
Printing/Publishing		3,233
Repairs and Maintenance		<u></u>
TOTAL EXPENDITURES	\$	14,802

Excess of Revenues Over (Under)		
Expenditures		4,951

FUND BALANCE, JULY 1		<u>10,540</u>
----------------------	--	---------------

FUND BALANCE, JUNE 30	\$	<u>15,491</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**TAX INCREMENT FINANCING AUTHORITY - BALANCE SHEET – DISCRETELY
PRESENTED COMPONENT UNIT**

JUNE 30, 2007

ASSETS

Cash and Deposits	\$ 131,526
Due from Other Component Units	9,600
Investment - Central School Project	<u>57,714</u>
TOTAL ASSETS	<u>\$ 198,840</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accrued Benefits	746
Accounts Payable	<u>521</u>
TOTAL LIABILITIES	1,267

FUND EQUITY

Fund Balance, Unreserved	<u>197,573</u>
TOTAL FUND EQUITY	197,573

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 198,840</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**TAX INCREMENT FINANCING AUTHORITY - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT**

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

Property Tax	\$ 165,817
Reimbursements	28
Interest Income	<u>10,033</u>
TOTAL REVENUES	\$ 175,878

EXPENDITURES

Salaries and Wages	4,343
Fringe Benefits	4,607
Winter Maintenance	
Salaries and Benefits	11,282
Rebates	12,348
Supplies	214
Contract Services	33,731
Repairs and Improvements	3,995
Equipment Rental	12,367
Streetscape Engineering	23,139
Community Promotion	11,673
Printing/Publishing	741
Utilities	15,340
Fees and Services	855
Travel	1,402
Miscellaneous	<u>535</u>
TOTAL EXPENDITURES	\$ 136,572

Excess of Revenues Over (Under)	
Expenditures	39,306

FUND BALANCE, JULY 1	<u>158,267</u>
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FUND BALANCE, JUNE 30	<u><u>\$ 197,573</u></u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**BROWNFIELD AUTHORITY - BALANCE SHEET - DISCRETELY PRESENTED COMPONENT
UNIT**

JUNE 30, 2007

ASSETS

Cash and Deposits	\$ 4
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TOTAL ASSETS	\$ 4
---------------------	-------------

LIABILITIES AND FUND EQUITY

LIABILITIES

Due to Other Component Units	\$ 9,600
------------------------------	----------

TOTAL LIABILITIES	\$ 9,600
--------------------------	-----------------

FUND EQUITY

Fund Balance, Unreserved	\$ (9,596)
--------------------------	------------

TOTAL FUND EQUITY	\$ (9,596)
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TOTAL LIABILITIES AND FUND EQUITY	4
------------------------------------------	----------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

**BROWNFIELD AUTHORITY - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCE - DISCRETELY PRESENTED COMPONENT UNIT**

FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

Miscellaneous Revenue	\$ -
TOTAL REVENUES	\$ -

EXPENDITURES

Professional Services	9,596
TOTAL EXPENDITURES	\$ 9,596

Excess of Revenues Over (Under) Expenditures	(9,596)
-------------------------------------------------	---------

FUND BALANCE, JULY 1	-
FUND BALANCE, JUNE 30	<u><u>\$ (9,596)</u></u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

DS Rostagno, CPA, P.C.

*101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council

City of Iron River

106 West Genesee Street
Iron River, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the **City of Iron River**, State of Michigan as of and for the year ended June 30, 2007, which collectively comprise the **City of Iron River**, State of Michigan's basic financial statements, and have issued our report thereon dated October 09, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **City of Iron River**, State of Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **City of Iron River**, State of Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **City of Iron River**, State of Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **City of Iron River**, State of Michigan's ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **City of Iron River**, State of Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **City of Iron River**, State of Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **City of Iron River**, State of Michigan's internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Iron River**, State of Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **City of Iron River**, State of Michigan, in a separate letter dated October 09, 2007.

This report is intended solely for the information and use of the management, City Council, and federal awarding agencies and pass-through entities, and it is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 09, 2007

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council
City of Iron River
106 West Genesee Street
Iron River, Michigan 49935

Compliance

We have audited the compliance of the **City of Iron River**, State of Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The **City of Iron River**, State of Michigan's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the **City of Iron River**, State of Michigan's management. Our responsibility is to express an opinion on the **City of Iron River**, State of Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **City of Iron River**, State of Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **City of Iron River**, State of Michigan's compliance with those requirements.

In our opinion, the **City of Iron River**, State of Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the **City of Iron River**, State of Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.

Internal Control Over Compliance (Continued)

In planning and performing our audit, we considered the **City of Iron River**, State of Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the **City of Iron River**, State of Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" and last name "Rostagno" clearly distinguishable.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 09, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SUPPORTING SCHEDULES

CITY OF IRON RIVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE <u>GRANT NUMBER</u>	FEDERAL CFDA <u>NUMBER</u>	APPROVED GRANT AWARD <u>AMOUNT</u>	ACCRUED (DEFERRED) REVENUE <u>7/1/06</u>	(MEMORANDUM ONLY) PRIOR YEAR EXPENDITURES <u>EXPENDITURES</u>	CURRENT YEAR EXPENDITURES <u>EXPENDITURES</u>	CURRENT YEAR CASH RECEIPTS <u>RECEIPTS</u>	ACCRUED (DEFERRED) REVENUE <u>6/30/07</u>	<u>ADJUSTMENTS</u>
<u>Department of Housing And Urban Development</u>								
Michigan Economic Development Corporation Lalley Road Sanitary Sewer Rehabilitation CDBG#MSC204046-PW								
	14.219	\$ 768000	\$ 345652	\$ 738572	\$ 29428	\$ 375080	\$ -0-	\$ -0-
TOTAL		\$ 768000	\$ 345652	\$ 738572	\$ 29428	\$ 375080	\$ -0-	\$ -0-
Michigan Economic Development Corporation Sanitary Sewer Interceptor Improvement Project *								
	14.228	445500	-0-	-0-	445500	445500	-0-	-0-
Iron River North Sewer Improvement Project								
	14.228	541500	-0-	-0-	286507	98797	187710	-0-
TOTAL		\$ 987000	\$ -0-	\$ -0-	\$ 732007	\$ 544297	\$ 187710	\$ -0-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
		\$1755000	\$ 345652	\$ 738572	\$ 761435	\$ 919377	\$ 187710	\$ -0-

CITY OF IRON RIVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE <u>GRANT NUMBER</u>	FEDERAL CFDA <u>NUMBER</u>	APPROVED GRANT AWARD <u>AMOUNT</u>	ACCRUED (DEFERRED) REVENUE <u>7/1/06</u>	(MEMORANDUM ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE <u>6/30/07</u>	<u>ADJUSTMENTS</u>
<u>Department of Agriculture</u>								
Rural Development Commodities Facilities Program Grant	10.766	\$ 30000	\$ -0-	\$ -0-	\$ 30000	\$ 30000	\$ -0-	\$ -0-
TOTAL DEPARTMENT OF AGRICULTURE		\$ 30000	\$ -0-	\$ -0-	\$ 30000	\$ 30000	\$ -0-	\$ -0-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$1785000	\$ 345652	\$ 738572	\$ 791435	\$ 949377	\$ 187710	\$ -0-

NOTES:

1. *Designates Major Program
2. In accordance with OMB Circular A-133, since federal awards expended were greater than \$300,000 but less than \$10 million, Type A programs are those programs with expended funds of \$300,000 or more. Based on this threshold, the Sanitary Sewer Interceptor Improvement Project was the only Type A program.

CITY OF IRON RIVER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the **City of Iron River** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. MAJOR PROGRAMS

Major programs were determined by a risk based approach, which includes consideration of current and prior audit expenses, oversight by federal agencies and pass-through entities, and inherent risk of the program in addition to the \$300,000 expenditure threshold.

B. FOOTNOTES

Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- | | | | | |
|-------------------------------------|-------|-----|----------------------|----|
| • Material weakness(es) identified? | _____ | yes | _____ <u>X</u> _____ | no |
| • Significant deficiencies? | _____ | yes | _____ <u>X</u> _____ | No |

Noncompliance material to financial statements noted?	_____	yes	_____ <u>X</u> _____	no
-------------------------------------------------------	-------	-----	----------------------	----

Federal Awards

Internal control over major programs:

- | | | | | |
|--------------------------------------------------------------------------------------------|-------|-----|----------------------|---------------|
| • Material weakness(es) identified? | _____ | yes | _____ <u>X</u> _____ | no |
| • Significant deficiencies identified that are not considered to be material weakness(es)? | _____ | yes | _____ <u>X</u> _____ | none reported |

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____	yes	_____ <u>X</u> _____	no
--------------------------------------------------------------------------------------------------------------------	-------	-----	----------------------	----

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program of Cluster</i>
------------------------------	--------------------------------------------------

14.228 US Department of Housing and Urban Development	Sanitary Sewer Interceptor Improvement Project
----------------------------------------------------------	---------------------------------------------------

Dollar threshold used to distinguish between A and B programs:

\$ 300000

Auditee qualified as low-risk auditee?	_____	yes	_____ <u>X</u> _____	no
----------------------------------------	-------	-----	----------------------	----

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to be reported.

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to be reported.

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Mayor and Members of the City Council
City of Iron River
106 West Genesee Street
Iron River, Michigan 49935

In planning and performing the audit of the financial statements of the **City of Iron River**, we considered the City's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express an opinion on the effectiveness of the **City of Iron River**, State of Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **City of Iron River**, State of Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **City of Iron River**'s financial statements that is more than inconsequential will not be prevented or detected by the **City of Iron River**'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **City of Iron River**'s internal control.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. They are divided into three categories: significant deficiencies, material weaknesses, and other matters.

MATERIAL WEAKNESSES

There are no matters to report.

SIGNIFICANT DEFICIENCIES

New Comments

There are no matters to report.

SIGNIFICANT DEFICIENCIES (Continued)

Significant Deficiencies Communicated in Prior Years

There are no matters to report.

OTHER MATTERS

New Comments

There are no new matters to report.

Matters Communicated in Prior Years

Budgetary

Problem:

In conjunction with the prior audit, it was noted that the City had incurred several expenditures which were in excess of amounts appropriated.

Recommendation:

It was recommended that closer monitoring be done in regard to budgetary appropriations and expenditures.

Resolution:

During the current fiscal year, there were two small over-expenditures as compared to the final amended budgetary appropriations.

Current Recommendation:

Careful monitoring, including the allowance for year-end adjustments, must be done.

Employee Time Sheets/Equipment Rental

Problem:

Our prior audit revealed that employee time sheets, including the record of equipment usage, was not adequately reported on a consistent basis.

Recommendation

It was recommended that the foreman review and initial all valid time cards before being submitted for payroll preparation.

Resolution

This has been satisfactorily resolved.

OTHER MATTERS (Continued)

Payroll Cross-Training

Problem:

In conjunction with the prior audit, it was noted that one employee is responsible for preparing payroll input and the related payroll processes.

Recommendation:

It was recommended that the City pursue a program of cross-training to ensure that these complex and critical functions could be completed in an accurate and timely manner in the absence of the regular employee responsible for these duties.

Resolution:

Time constraints of City employees prevent a thorough cross-training program to be implemented.

Continued Recommendation:

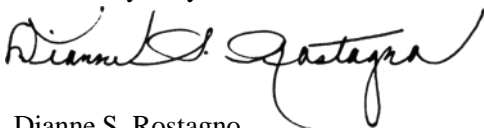
Employee cross-training on payroll and other critical functions needs to be pursued to the furthest extent that time and resources allow.

This letter does not affect our report dated October 09, 2007 on the financial statements of the **City of Iron River**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate City officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

It has been a pleasure working with the City officials, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

October 09, 2007